the Freeman

Ideas on Liberty

JANUARY 1971

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GARY NORTH

The Feminine Mistake

THE ECONOMICS OF WOMEN'S LIBERATION

I FIRST READ about the Women's Liberation Front in the spring of 1969 in a copy of *New York*, a new magazine devoted to the crucial problem of how to survive in New York City. That description of WLF opened with an account of a young heiress demonstrating karate as one of the basic skills needed for her survival. At the time I was inclined to dismiss the WLF as just another of the freakish movements that seem to flourish in alienated urban cultures, or in the educated segments thereof. But in recent months I have come to the conclusion that the WLF is important, and that it is dangerous. Not because of the "crazies" on the fringe – who grab the headlines – but because WLF has latched onto an appealing (and fallacious) slogan: "Equal pay for equal work."

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By focusing attention on the very real fact of differential pay scales between men and women, WLF activists have gained a wider audience than might otherwise have been likely. Here, it would seem, is a legitimate complaint against the supposed inequities of the capitalist system. Here is where "male chauvinism" makes itself felt: pure discrimination that is in no way related to one's personal capacities or performance. This argument cannot be dismissed with a shout of "You look like last year's sneakers, sister!"

The reason the WLF has been able to gain a hearing on the "equal pay for equal work" proposal is because it is already right in line with the last thirty or forty years of government interventionism. It presupposes that the government, merely by enforcing a wage law, can in some way

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influence the aggregate economy to move along "positive, humanitarian" lines. This proposal, because it is not radical in 1970, lends an aura of respectability to an otherwise ludicrous movement. "Some of their rhetoric is exaggerated," one intelligent woman remarked to me, "but you can't argue with them on this point." I can, and I will.

"Fair Employment"

The argument in favor of "equal pay for equal work" rests on a concept of labor that was overturned in the 1870's. It assumes that there is such a thing as concrete human labor, a physical entity that in some way can be measured. Value is in some way linked to labor, and pay should reflect value. This was the economic premise of virtually all economists until the advent of modern economics; Karl Marx was the last major economist to hold the labor theory of value. Modern economics rests on the concept that value is linked to usefulness; the value of labor depends on the value of labor's output. The distinction between the two concepts of value is crucial.

When Women's Liberation activists argue that a basic immorality exists in any economic system that does not reward all laborers equally for equal work, they imply that capitalism has in some way failed the test of common decency. What they do not realize is that competitive market capitalism actually comes closer than any other operational economic system to meeting their demands. All factors of production are rewarded exactly according to their productivity in a model of pure competition; in practice, market capitalism approaches that model in a remarkably close way. But the reward is not in terms of the "equal pay for equal work" slogan; the reward is based on the concept of marginal cost, or "cost of the most important use foregone." The *cost* of *any* factor of production is based on the cost of the *least expensive substitute* for that factor; its *value* is dependent upon the *economic value of its product*. In the long run, the free market tends to work, through competition, toward a balancing (or equating) of economic value and economic cost. Any factor of production that is receiving too large a share of net revenues will be forced to accept a smaller share through competition. This is true whether the factor of production is a computer or a secretary.

The advocates of "fair employment" keep pointing to the production side of the equation, vaguely identifying the product

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with "work." But the return to any factor of production is based upon the cost of replacing that factor just as much as it is based on the value of the factor's product. Competition is supposed to equalize the two – cost and value – if maximum economic efficiency is to be maintained. (By economic efficiency, the economist means the highest value of production from a given input of resources, or a given level of production from the least expensive input of resources.) Therefore, the return to the computer is not based on "work," and neither is the return to the secretary. The return to each is based upon its contribution to production in comparison to the potential contribution of the nearest competing factor. That is truly fair employment. (Now, one can also speak of *charity* as a means of increasing the return to a particular human factor of production – paying him or her more than he or she is economically worth – but one should not argue for this in terms of economics, a mistake made by virtually all of the "fair employment" advocates.)

A woman who is seriously concerned with getting fair pay for her contribution – mental, physical, or simply resembling Raquel Welch – has to ask this question: *What would it cost this company to replace me?* If a woman knows that there are five other women ready and willing to take her secretarial job at $350 a month, then she would be wise not to demand very much more than $350 a month in wages. She can demand a bit more, given the costs of training a new girl, the difficulties involved in all bureaucratic changes, and the tastes of her boss with regard to what constitutes someone who is sweet, cute, and so forth. But she *must* limit her demands.

Willing to Work for Less

The WLF complains that women are forced to accept menial wages. But in many, many cases, the reason she can accept such wages is precisely because she enjoys the advantages of being a woman: she has a man who will help bear the financial burdens of her own upkeep. She is on the job in order to supplement his earnings, so she is willing to work for wages that are essentially supplemental in magnitude. This, of course, means considerable hardship for the working woman who has no husband to support her. But her case is not fundamentally different from the man in his late thirties who has eight children and who is faced with competition from bright, young, single college graduates who are willing to take over his job at the same pay, or perhaps slightly less pay. The value

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of one's contribution to a company is not directly related to one's marital status or the number of children involved.

If the advocates of "fair employment" are really concerned with morality, then they must ask an additional question: *What are the burdens imposed on the person who is unemployed but who would be willing to take a job at lower pay?* Fairness should relate to all those in the economy, not just those insiders who happen to have the jobs in question. The supporters of "fair employment" legislation are unwilling to face the other half of the labor equation, the "unfair unemployment" generated as a direct consequence of the "fair employment" law.

Minorities and Costs

The explanation of the "menial wages" paid to secretaries is not too difficult to present, once the concept of the return to a factor of production is grasped. Competition keeps wages down, just as it keeps prices down. The WLF women are not really that concerned with the wages of the secretary, however. The members of the WLF are the better educated segment of the female population; what they refuse to accept is the fact that *women executives* are paid lower wages. That, it is argued, is a consequence of male chauvinism. Why aren't their M.A.'s worth as much as some man's M.A. (or even B.A.)?

I am willing to concede that there is such a thing as a corporate bias against employing women. For one thing, men inside corporations have little desire to expand the pool of available labor to compete for their jobs. For another, most men probably resent the idea that women could replace them in their jobs. Like most prejudices against collectives, the thought which galls male employees is not the idea that a particularly gifted woman might replace a particular man (which is, really, the kind of decision that is made in a business firm), but the idea that "women" can replace "men."

People are geared to think in terms of aggregates, even in those decisions that are essentially individual (or, in economic terms, "marginal"). So those inside complain, "If you let one of them in, you'll have to let them all in," which is patently false, and to combat it, those on the outside yell, "Then if you won't take one of us on his (or her) own merit, by George, you'll have to take all of us!" So they put pressure on the government to pass a "fair employment" act that prohibits discrimination, and thereby confirms the worst fears of the in-

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siders. And then there is pressure to take incompetents into the firm, just to meet the external requirements of the legal system. Pass a law against economic bigotry, and you help to confirm the dire predictions of the bigots. Tokenism replaces competition.

Let us therefore assume that men are bigots when it comes to hiring women. Some of the bigotry, however, is not irrational. There are basic institutional reasons why women are not sought after as men are to serve in executive positions. The obvious one is that women marry and have children. For a job requiring considerable training and experience, the threat always exists that the woman will quit for family reasons. Men also quit their jobs, but generally for economic reasons. A company can raise a man's salary and at least have some chance of success in keeping him. Also, a woman's husband may decide to move out of the area; it is his decision, and his wife must follow. There is no way a company can fight his decision with much possibility of success.

Traditional Hiring Practices

Another basic reason why women are not hired is simply because they have not been hired in the past. Bureaucracies do exist, and habitual patterns do get established, and there are fundamental costs of reorienting any bureaucratic structure. A change in hiring practices certainly affects one important part of any company's organizational pattern. You do not "shake up the system" any time without bearing certain institutional disutilities—costs. The greater the break with traditional hiring policies involved, the greater the disorientation, at least initially, of the company.

There is one final comment that seems appropriate. If a survey were to be made of any random secretarial pool in the corporate structure of America, it would be quite likely that a sizable majority of the women would prefer to be under male supervisers. Given the opportunity of serving under a woman holding a B.A. or a man holding a B.A., most women, I think it is safe to say, would choose the man (assuming similar personalities and competence of the competing candidates). If the men of a corporation had the choice, an even larger percentage would be likely to prefer masculine superiors. This is a fact of life, unlikely to change in the near future. A corporation must weigh the initial disadvantages of thwarting this preference among its employees. The woman probably will have to offer some special advantage to the company

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that her masculine competitor cannot or will not.

Wage Competition

I appeared on a Los Angeles television show in November of 1969. It was one of those afternoon talk shows aimed at the "lunch bunch"—a distinctly feminine audience. Preceding me was an articulate, middle-aged lady from England, the founder of a female labor exchange organization which supplies womanpower to various corporations. By pre-1968 standards, she would have been considered a militant for women's rights. As the director of this multimillion-dollar organization (an even more remarkable feat by British economic standards), she was asked what she thought of the fact that women get paid less than men for their labor. "Well," she replied, "the best form of competition we women have is our willingness to work at lower wages. If you were to eliminate that, you would remove our most effective employment weapon." That woman understands the nature of competition.

The fact that the "equal pay for equal work" law is not yet in operation makes it possible for a woman to obtain that initial access to a previously masculine occupation. If she were to demand a man's wages initially, she would stand far less chance of gaining her real objective, namely, the opportunity to prove her capacity in the occupation of her choice. The company hesitates to hire a woman, given the definite uncertainties in hiring women in general. (Is she a Women's Lib type? What is she after?) But if she can offer the company a premium to offset the logical risks involved (not to mention the questionable hostility), she can make it worth the company's risk. The most obvious premium is a willingness to take a lower wage. If she should fail on the job, the company has not lost so much.

By removing this most effective of weapons, the WLF would seriously jeopardize the possibilities for advancement by women into the higher echelons of American business. Only the most obviously competent women, the ones from the best schools with the highest grades and most impressive outside activities, would have a shot at the better jobs. Actually, the WLF proposal borders on the suicidal: certainly it would not be the WLF type who would be hired unless she could show some overwhelming economic reason why she should be selected over a less radical miss from a prestigious finishing school (plus an M.B.A. from Harvard School of Business). The upper echelon posts

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would be converted into semi-monopolies of those women who already hold them. If the WLF's goal is really to open the doors of American business to women – large numbers of women – the "equal pay for equal work" proposal is ridiculous. It is self-defeating. Of course, for those women already in the system, the law would be an almost flawless grant of monopoly returns.

Minimum Wage Law for Women

Inescapably, from the point of view of economic analysis, the "equal pay for equal work" proposal is the demand for a minimum wage law for women. The minimum wage would be equal to the minimum pay scale for a man of comparable talents and responsibility. Like all minimum wage laws, it is primarily a legally operating barrier against all those worth less than the minimum wage. As shown in the earlier part of this paper, the woman initially *is* worth less, not because of her lack of work, but because of the higher risks and economic-institutional disutilities associated (in the majority of American firms) with hiring women.

In general, minimum wage laws force the less productive, higher risk, less desirable (for whatever reasons) persons into lower paying jobs not covered by the minimum wage laws. If the job market as a whole is covered, then the laws tend to force them out of work entirely. A person who generates only $1.25 worth of returns to his company will not be hired if the minimum wage is $1.75. Those least able to afford unemployment – the least skilled, least educated – are the ones hurt most by the laws. In this country, as study after study indicates, this means the Negro teen-age male, but it also means the less skilled women. Those just entering the market, with little experience and training, are the "first fired, last hired."

Our WLF propagandists insist that housework is the intolerable curse of the American woman. It is housework's boredom and lack of creativity that oppresses women, degrades them into beasts of burden. That women would have to seek employment as household workers is, for the WLF, the ultimate example of male chauvinism. So what do we find? The minimum wage laws have been the most effective means of forcing more women into employment as household domestics!

Household employment is not covered by minimum wage laws. As a result, those women who have been excluded from jobs in the covered industries (since they are not allowed to compete by

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bidding down wages) are now forced to seek less desirable employment. This means they must go to the uncovered industries. It also means that more of them than would enter this market in the absence of the laws now try to get in, thus forcing wages even lower. Professor Yale Brozen of the University of Chicago made a study of precisely this effect of the minimum wage laws in the October, 1962 issue of *The Journal of Law and Economics*. He surveyed the employment figures, before and after a rise in the minimum wage law, in three different periods. His conclusion: "In each instance when the minimum wage rate rose, the number of persons employed as household workers rose." He then made this warning:

> However, the coverage of the Fair Labor Standards Act has been broadened, and further broadening is proposed. Much further broadening will close the safety valve [i.e., the non-covered industries into which the unemployed flee]. We will, then, find the amount of structural unemployment (i.e., unemployment concentrated in certain age groups, in one sex, or race, in groups of less than a given level of education, and in certain regions) increasing as minimum wage rates increase.

This prospect, of course, applies only to the less desirable employees or potential employees. "For families with large numbers of children [which can now employ cheaper servants] and women employed in better paying occupations, further increases in minimum wage rates and their coverage may be very desirable, however unwelcome this may be to the less educated, less skilled female worker foreclosed from a better paying job by the rise in the minimum rate and coverage."

Across the Board Effects

Brozen is considering only the more familiar minimum wage law, the kind which sets a fixed minimum wage per hour for all members of the population in the covered industries. The WLF scheme is not quite the same. What the "equal work for equal pay" scheme would produce is a minimum wage law for all women throughout all covered industries, from the secretaries to the female vice-presidents. It would not be limited to merely those employees in the $1.50 to $2.50 per hour range. Instead of seeing only the bottom segment of female employees forced to take less desirable positions, i.e., those which the men would not be bidding for anyway, the WLF proposal would see to it that *all* entering female employees would be downgraded (except for the few token women hired for the purpose of fending off a Fed-

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eral investigation). There would be a downgrading all the way along the employment ladder.

Companies would not outwardly break the law, of course, but there are many ways to avoid regulations that are undesired by personnel departments. For example, two applications are received: a man holds a B.A. and a woman holds a B.A., and both seek the same post. The woman had better be from a prestigious academic institution or have had some kind of previous business experience, or else be physically attractive, and the man should have no exceptional qualifications to distinguish himself. The woman might very well be qualified for an even higher post, one which her male counterpart would not even be considered for, so she is, in effect, downgrading her opportunities to be employed in the higher echelon job. For her to meet the true demand for labor on a competitive market, she can take a prestigious job at lower wages than her male counterpart, or take a less prestigious job at equal wages to her male counterpart. She cannot take a higher job, given equal qualifications of the two applicants and equal pay scales, for the reasons outlined above: women are less desirable employees for most companies, and they must distinguish themselves in order to be hired. A law will not change the basic economic parameters of the labor market; it can only change the ways in which the discrimination is accomplished.

Downgrading Hurts Most at the Lowest Levels

The downgrading effect will, as always, be most harmful to those women who are not members of the population segments from which the WLF recruits its membership. As women at one level of employment are forced into the jobs below – the jobs in which less training and lower educational qualifications are required – the women who would originally have applied at the lower level will be forced to accept an even lower classification. Finally, the glut will appear in the "uncovered" portions of any company's jobs, i.e., those jobs unaffected by the "equal pay for equal work" law simply because no man would apply for them with or without the law. The law will produce structural unemployment in these jobs, or else the older pattern of wage competition will appear once again: women competing only against other women on a market in which not only the usual secretarial candidates are scrambling for jobs, but also the women forced out of the next higher level

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of employment by the "equal pay for equal work" law.

Women without husbands or wealthy fathers to supplement their incomes will be the losers. Women who have not attended the better colleges will suffer far more than the very bright, highly qualified, highly ambitious types who can gain access to the prestige jobs from the start. Men, of course, will continue to be hired. Women will then be in competition primarily with women. By changing the competition parameters from wage competition into educational or experience competition, the women without the "paper qualifications" – college degrees, years of successful employment, an attractive photograph – will be the losers. Their most effective tool of economic survival, namely, their willingness to compete with the male employees by accepting lower wages, will have been removed. The beneficiaries will be those women with the college degrees and those already in their chosen jobs.

Conclusion

The WLF, by the very nature of its economic proposals, has relegated itself into a role more generally associated with the operation of a medieval guild. It has become the advocate of a monopolistic, prestige competitive, high security employment system, one geared to all those women with impressive educational backgrounds and/or impressive physical proportions. The "equal pay for equal work" scheme is essentially elitist. As Max Weber pointed out half a century ago, the mass market demand for goods and services came to the West only when competition shifted to price competition. He called it "the democratization of demand," contrasting it with the medieval emphasis on the production of luxury goods by and for elites within the economy. As he wrote, the shift from production for elites to production for a mass market "is characterized by price competition, while the luxury industries working for the court follow the handicraft principle of competition in quality."

What Weber wrote about the expansion of the market for goods is equally true for the expansion of the market for labor. If you want to create a market that permits free entry, mass employment, and increased benefits for those not in elite categories, you must permit wage competition. Otherwise the employment game will be played in terms of paper quality: employment resumés, college transcripts and photographs.

Naturally, the WLF members tend to be recruited from just these elitist segments of the na-

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tion's population. They are the girls with the college degrees and the affluent fathers who will be able to support them until they can find "the right job." The WLF girl who is willing to put on a little makeup and hide her militancy to her employer will have access to the jobs denied to her less advantaged sisters. She can drop out of the WLF and into a prestige job at her discretion. Therefore, what we find in the case of the WLF is a replay of a very ancient tune: a group calling for the imposition of a government law for the "good of the masses" ultimately encourages a law which would benefit the elitist stratum from which it recruits its members. Here is another example of the privileged minority which does quite well by doing good.

The Competitive Firm Will Pay Women Fairly

For the woman who is really competent in what has generally been regarded as a man's world, the "equal pay for equal work" scheme cannot help her, and it may hinder her initial access to the job in which she expects to demonstrate her abilities. Once she gets the job she wants, at whatever salary, she can prove her worth as a valuable factor of production, assuming she is talented. She will need no Federal law to get her legitimate reward from her employer, assuming the employer is serious about staying competitive in the world's markets.

There are, of course, inefficient firms. These will not strive to stay competitive, i.e., by rewarding every factor of production according to the value of its output. This is the kind of overstuffed, flabby corporation that Robert Townsend attacks in his delightfully iconoclastic book, *Up the Organization.* Townsend's recommendation to the talented but underpaid woman is identical to his recommendation for the talented, underpaid man: *quit.* That kind of firm is not interested in competition and therefore uninterested in creativity and production. It is best to get out. Townsend's article in the September, 1970 issue of *McCall's* warns women that a company which consistently discriminates against women at all levels is probably filled with hacks, especially at the top; a good firm will pay her what she is worth. She should shop around until she finds one, just as Mary Wells, the enormously successful advertising executive, was forced to do. If a firm is competitive, Townsend writes, it will pay women fairly.

By implication, we ought to conclude that the hostility to women who have proven their capability rests on a commitment to security

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above competition. Another minimum wage law will not solve this problem. What will solve it, as I argued in the January, 1970 issue of this journal, is a return to the decentralized, profit-oriented, free market business firm that is not shielded from competition by a host of Federal regulations and Federal subsidies, both direct and indirect. What the competent woman needs, especially the woman who is not loaded down with paper qualifications, is that initial shot at the job that will serve as her testing ground, regardless of whether she gets a paycheck as large as a man's. What she does not need, and what those of us who benefit from her greater productivity do not need, is the establishment of the WLF's neomedieval principle, "equal pay for equal work."

IDEAS ON LIBERTY

Everyone Wants More

IT MAY BE taken for granted that all men want greater rewards, either material or psychic, or both, than they are receiving. In some the desire for increased reward is much keener than in others; those in whom it is keen are on the lookout for more lucrative employment. Some complain that their rewards are altogether "too small" and insist that they should have more. If they are able to persuade the community of this, they may be given an additional material reward or they may be offered the chance to work and earn an additional amount.

Those whose rewards are considered by the community to be "too small" and who aver that they want to earn more are classed as "unemployed" and are looked upon as a social problem. The "problem" is to increase their rewards. It is assumed (wholly without proof) that they cannot do this for themselves and hence that society must do it for them.

However, the "unemployed" are not differently situated from others. They are receiving some rewards and they want more; the same can be said of us all. If the "unemployed" are helpless, so is everyone.

OSCAR COOLEY, *Paying Men Not to Work*

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HOW TO BE A BENEFACTOR

LEONARD E. READ

THE WORLD'S WOES may have been greater and more numerous in 1850 than now. But, if they were, my grandfather as a young man was unaware of them. There were no radios, TVs, or telephones. Isolated in backwoods country, he had no newspaper, not even a magazine. All the troubles of mankind, so far as he knew, were those which fell within a distance he could walk or ride horseback; and they were minor problems, few and far between. In brief, grandfather had no social problems except grandfather-size ones.

But today! There is hardly a disaster or a social mess on the face of the earth that isn't immediately dinned into our ears or emblazoned in glaring headlines. News! And unless one is instinctively or rationally immune to this calamity barrage, he will incline toward the untenable belief that every ill of mankind is his problem. Thus misled, he is an easy victim of the fallacious notion that the solution of all of these is his "social responsibility."

True, each of us is at once a social and an individualistic being and, therefore, each does in fact have a social responsibility. However, we should know what that responsibility is, and what it is not, else we will work against rather than in harmony with our fellow men.

The grandfather-size problem, as it turns out, is about the maximum size any of us is able to cope with. When we get it into our heads that other people's problems are our responsibility to solve, we "rise" to a level of utter incompetence. However good our intentions, our meddling makes matters worse rather than better.

To illustrate: I am a writer of sorts. It must be obvious to you, whoever you are, that I cannot

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solve your problems. Elect me to Congress and I remain as I am, my competence not improved one whit by reason of this change in occupation. Nor will it upgrade my competence to place me in the highest political office in the land, or to make me the head of A.T. & T.!

Business to the Whipping Post

Before considering how we can become true benefactors, that is, how we can soundly discharge our social responsibilities, let's reflect on the mischief done in the belief that social responsibility requires everybody to solve everybody else's problems.

For example, take business firms, especially those with the most customers, workers, and investors. They are today's "whiping boys." Such firms are picked on by politicians, muckrakers, and those millions who can be sold any nonsense – if it is repeated often enough. Pied Pipers with enormous followings are everlastingly insisting that these corporations assume their "social responsibility," such as training and hiring the so-called hard core unemployed.

So beset are many executives with these widespread collectivistic notions that they tend to neglect their proper functions of hiring the most competent personnel, turning out better products at lower prices, and making larger profits; they concentrate instead on preserving the corporate image. These outpourings draw businessmen into a popularity contest for which they have no competence, and cause them to de-emphasize their skills in production and exchange, the skills that brought them to the top. Instead of serving as spokesmen for free entry and competition and how the market economy best serves everyone, they drop into a defensive role. They shift from portraying what is true to denouncing what is not true. Or they may succumb altogether to these unrealistic notions, in which event they apologize for profits and become parties to the growing collectivism.

This is a mischievous trend. If continued, it will prove disastrous not only to investors and workers but to the very customers many of whom are doing the condemning. When the emphasis is on the image rather than the performance, not only will the performance deteriorate but so will the image. And everyone involved must bear a share of the inevitable failure.

Public policy, it seems to me, should be geared to consumer interest – that's all of us. And as a consumer, I cringe when business executives behave as if theirs is

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first and foremost – or, even secondarily – the job of looking out for pockets of poverty or the level of employment or the general welfare or any other so-called social goal. These men will serve us best in every way – including alleviation of our poverty and so on – when they stick to their own knitting!

Born a shoemaker, stay a shoemaker was, by and large, the lot of the masses until the idea of opening the market to competition was recently discovered – about seven generations ago. What a revolution that brought about! Open opportunity for masses of people and the most successful war on poverty in the history of mankind!

Adam Smith and J. S. Mill

John Stuart Mill, gifted with insight, was among the numerous men to grasp the pursuit of self-interest as an efficacious way of life:

> The only freedom which deserves the name is that of pursuing our own good in our own way, so long as we do not attempt to deprive others of theirs, or impede their efforts to obtain it.

Earlier, Adam Smith had observed that:

> ...by directing that industry in such a manner as its produce may be of the greatest value, [the individual] intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention. Nor is it always the worse for society that it was no part of it. By pursuing his own interest he *frequently* promotes that of the society more effectually than when he really intends to promote it. I have never known much good done by those who affected to trade for the public good. It is an affectation....

If "to trade for the public good" is at best an affectation, one must then conclude that he should trade for his own good, which is to say that each of us should observe the rules and pursue his own self-interest. Thus will he best serve others and fulfill his social responsibility. What a switch from current thinking! But events of the past 200 years, if I read them aright, confirm this view – absolutely!

There is in this thesis, however, a presupposition that an individual knows what is to his best interest. There's the rub; few have this knowledge; no one has it perfectly.

This presupposition may explain why the brilliant and cautious Adam Smith inserted that word "frequently" into his famous paragraph. Every now and then – frequently – there are in-

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dividuals who more or less intelligently perceive their self-interest; and in these cases the ardent pursuit of that interest promotes the interests of society – contributes to the public good.

The pursuit of self-interest as one's objective is not widely applauded. Generally, such action is associated with greed, avarice, selfishness. Low-brows! This only demonstrates the extent of the confusion.

Motivation and Interpretation

Self-interest is the motivator of human action. Regardless of pretensions to the contrary, a communist is as much motivated by self-interest as am I. In this sense, everyone is self-centered; self-interest is the ultimate given. And to be purely selfless is to be dead.

There are two main variables in this matter. The first relates to the motivating power of self-interest. In some people it is a feeble force, often too low to be recognized. Such people sometimes think of themselves as selfless, and they nearly are. In others, self-interest is a powerful motivator of action.

The second variable is the one at issue; it has to do with how intelligently self-interest is interpreted. For instance, the thief thinks of his interest as best served by stealing from others. This is an interpretation so narrow and antisocial that the more it is pursued, the more is the public good subverted. There are, on the other hand, those who so intelligently interpret their self-interest that they would never think of trying to pursue their own good by depriving others of the same right, or in any way impeding the efforts of others to obtain their own good.

What this amounts to in the final analysis is serving or observing the self-interest of others in order to best serve one's self. This is an interpretation so intelligent that the more it is pursued, the more is the public good served. To repeat, it is the frequent appearance of these enlightened individuals that led Adam Smith to an obscure truth: ". . . he [man in pursuit of his own interest] frequently promotes that of the society more effectually than when he really intends to promote it."

The ardent pursuit of self-interest is the way to social felicity or the public good, *presuming* that individuals *are not allowed* (by government) or do not allow themselves to act at cross purposes with the freedom of others, thereby damaging their own interests. To my way of thinking, this is *the way;* and the more pow-

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erfully the individual is motivated to pursue his enlightened interests, the better. If this is the right way, then we should not lightly abandon it simply because we find only a few among us who are intelligent interpreters of self-interest. *Stick to the right way and concentrate on increasing an enlightened self-interest.* This is the only procedure that makes sense.

Beware the Selfless

Consider the alternative. Suppose each individual were to abandon his own interests whenever he observes others misinterpreting theirs.

What are some of these misinterpretations of self-interest? All will agree that theft is wrong. But of the millions who wouldn't personally steal from any other, what about those who will, without the slightest qualm, get the government to feather their own nests at the expense of others? What, really, is the difference? Were all to do this, all would perish. If this isn't a mistake, pray tell, what is! The list, of course, is long and must include every individual who does unto others that which he would not have them do unto him.[1]

And to be included, also, are the muckraking critics of producers who are trying their best to outdo competitors, to profit by best serving consumers. To make "whipping boys" out of those who serve us most efficiently is to display an ignorance of our own interests.

What, then, is the alternative to the pursuit of self-interest? It is that these people who do not even know their own interests should pursue your and my good — the public weal! This is to compound ignorance in society. For, surely, an individual who does not know his own interest cannot remotely know mine, let alone the countless interests of millions.

Social Responsibility

Now to the final question: How best can I become a benefactor to mankind? By assuming my social responsibility. Of what does this consist? There are three steps.

Number one is to do all in my power not to interfere with the business of others.

> The danger of minding other people's business is twofold. First, there is the danger that a man may leave his business unattended to; and, second, there is the danger of an impertinent interference with another's affairs. The "friends of humanity" almost always run into both dangers.

Number two is to mind my own business.

[1] See my *Readiness Is All*, a pamphlet. Copy on request.

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Every man and woman in society has one big duty. That is, to take care of his or her own self. *This is a social duty.* For, fortunately, the matter stands so that the duty of making the best of one's self individually is not a separate thing from the duty of filling one's place in society, but the two are one, and *the latter is accomplished when the former is done.*[2]

Number three is implicit in minding my own business: practicing, as best I can, the difficult and sensitive Judeo-Christian philosophy of charity.[3]

Minding one's own business is the doctrine of liberty. Admittedly, this has no glamour for the "friends of humanity," the social architects, the one's who would mind other people's business. To rule out their masterminding of others is to deny their peculiar pursuit of happiness.

Minding one's own business, on the other hand, serves self by serving others and is a task of a size to fit the individual – big or little. This can be life's most fascinating venture – self-interest in its most intelligent conception, benefaction at its very best.

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[2] This and the previous quote from the chapter, "On Minding One's Own Business," in *What Social Classes Owe To Each Other* by William Graham Sumner. This chapter is in a pamphlet. Copy on request.

[3] See "What Shall It Profit a Man?" in my *Deeper Than You Think* (Irvington-on-Hudson, N. Y.: The Foundation for Economic Education, 1967) pp. 108-117.

For an instructive and inspirational book on this subject, see *Magnificent Obsession*, a novel by Lloyd Douglas.

IDEAS ON LIBERTY

A Code for Survival

EVERYONE is familiar with the intense struggle for existence that is carried on among the trees of a forest. It is asserted that the struggle is so intense, and the issue of life and death so sharply drawn among the young pines of a thicket, that the cutting of an inch from the top of one of them will doom it to ultimate extinction. . . .

Fortunately, or unfortunately as the case may be, the issue of life and death is seldom so clearly and sharply drawn among human beings as it is among trees, but in the long run the results appear to be much the same. If that be true, it follows that the religion which best enables men to conform to the laws of the Universe (God's laws) and to survive in life's struggle, will eventually be left in possession of the world.

THOMAS NIXON CARVER, *The Religion Worth Having*

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The WOES of the underdeveloped nations

ERIK VON KUEHNELT-LEDDIHN

A FEELING of love and charity toward one's neighbor, a sense of responsibility and personal guilt have characterized Christian thought at all times. Now the world has shrunk, due to the new means of transportation developed by modern technology. Hand in hand with diminished distances goes a sudden discovery of the great differences between the nations and races—less the psychological, more the material differences.

Of course, the Western nations have known for some time that they were richer than the peoples of the various tropical and not-so-tropical colonies, while the latters' awareness of their own poverty is something relatively new. Thanks to official travels and scholarship residences in North America, Europe, and also in Japan, they started to realize that in spite of their newly won independence their living standards are way below those of the West. But it is primarily the impressions gained from tourists, illustrated papers, movies, television, and books that have given them a hitherto unknown feeling of inferiority, of envy, sometimes even of hatred. They have questioned themselves as to why they are so "underdeveloped," why the already rich nations are getting richer while their progress (though visible here and there) is so slow that the gap between them and their former masters continues to increase – making, in a way, a sham of their independence, their emancipation.

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This sort of questioning goes on not only among the "emerging nations," but also in our midst. Since Christians are sometimes moved by virtues and often have a laudable propensity to seek the reasons for an unhappy state of affairs in their own and not in somebody else's failings, they increasingly tend to attribute the poverty of the "emergers" to their own colonialist expansionism in the past and their grasping economy in the present. The Latin American masses, the starving Hindus, the miserable "Blacks" in Africa are all so badly off because we are so prosperous! Human beings, so they reason, after all are equal; they have basically the same desires, the same intelligence, the same reactions, the "fundamentally same" attitude toward work, pleasure, love, and food. So, if a considerable part of the world is left way behind in the general scramble for prosperity, it cannot be their fault – and if it is not their fault then it must be ours. Either we progressed so fast that they cannot keep pace or we brutally exploited them in the past, stunted their growth, and are still continuing such malpractices. As a result, their living conditions are "incompatible with the dignity of man."

In this reasoning there are several fallacies, starting with the attempt to internationalize the absurd idea that equal wealth is a just demand of all individuals of one country – all differences in this matter today constitute a provocation and a manifestation of rank injustice. Even if one might advocate equal pay for equal work, what happens to the man who toils much harder than the average? In Austria, for example, the legal 43-hour week for workers is soon to be reduced to 40 hours, but (as a poll found out) the self-employed work more than 62 hours on the average. (My own average is 81 hours.) It is also obvious that work which requires decades of training and education cannot be remunerated in the same way as skills that can be acquired in a week, a few months, or a year.

To Lack Is to Envy

Yet, whatever the reasons for a bigger income, *envy* comes into play. And envy also has a leading role in international relations. A country which acquires wealth quicker than another one is, in our present "climate," committing an injustice, an act of collective aggression and must be morally condemned. But since it is not (not yet!) considered immoral to work harder or to be more intelligent – though personal qualities are systematically ignored by the democratic doctrine in the political

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field – one has to look for or *invent* moral arguments that are still accepted. In other words: if nation A has a much higher living standard, has greater wealth than nation B, the reason is that A exploited or still exploits B. (New Lefters have leveled this accusation also against the USSR.)

The poverty in certain "underdeveloped" nations appears *to us* to be real misery. But is it really "extra-ordinary"; is it really "incompatible with the dignity of man"? This might be so from our subjective Western point of view if, for instance, we compare the living standards of an unemployed German worker with those of a jobless Indian in Calcutta, a city where one-fourth or one-fifth of the population is born and dies in the streets. But at the same time we have to take into consideration that mankind, according to the latest estimates, is about half a million years old and that anything approaching "conditions compatible with the dignity of man" 5,000 years ago existed only *in a very few spots among a handful of a chosen few.*

The Rarity of Freedom

If we were to envision man's long emergence on the dial of an ordinary clock, then such – still exceedingly rare – conditions arose just 5 minutes before twelve. Larger areas with a slightly increased number of "comfortably off" people – let us say, during the High Middle Ages – existed only one minute before twelve. And a sizable number of countries with majorities enjoying the blessed state of "material dignity" can only be found in the last 80 years or, according to our time table, 14 seconds before twelve. Needless to say, there still are many areas today where living standards are not much higher than they were in the Neolithic period (11:50 to 11:56 on our clock). This means life in caves, in illness, heat and cold, hunger, boredom, despair, in perpetual fear of wild beasts, snakes, all the enemies of early man. During that period, as we learn from excavations, the average age of men who survived childhood was 28, of women 22 years.

I think that we even have illusions as to the life of the upper crust in the more recent past. Louis XIV could never get rid of his lice and Versailles in the summer emitted an unbearable stench. Frederic II of Prussia smelled to high heaven. Travel was an unmitigated torture. It has been estimated that the living standards of His Excellency, Herr von Goethe, Prime Minister of Weimar, would never be accepted today by a skilled German laborer

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who just pushes buttons to get classic music, jazz, warm air, or a movie right in his room, a man who owns a vehicle outranging in speed and comfort anything Goethe could have dreamed of. Viewed in the light of statistics, the question as to what is compatible with the dignity of man is a very difficult one to decide. There was a time – Biblical times! – when lentils were a choice dish. Obviously, the various nations, races, and tribes are living in various stages of development. But where would we be if no individual, no tribe, no nation could progress unless all the others did as well? Progress always implies a few pioneers leading the path – and not waiting endlessly until the rest, the less endowed, the lazier, the less enterprizing, the less self-disciplined ones decide to catch up.

Sentimental Romanticists

Yet here, precisely, we come to the initial error about the woes of the "underprivileged" countries. Individuals within a nation, and the nations themselves, are neither identical nor equal. There are some biological reasons for this state of affairs (scientifically too much under debate to be enumerated here) but, above all, there are decisive cultural patterns which might be changed in the long run but certainly not overnight. We have seen minorities (often of a combined ethnic, racial, and religious character) doing materially better, sometimes even much better than their neighbors living in the same climate, under the same government, the same laws, the same economy. (Climate, as the student of anthropogeography knows, is one of the least important but most frequently cited factors determining the inclinations for hard and systematic work.) Yet all these differences are almost willfully overlooked by the sentimental Christian romanticist. Knowingly or unknowingly, he is even affected by a number of Marxist notions.

Leftist thought, we must bear in mind, has infiltrated Christian thinking to a remarkable degree. (See THE FREEMAN, February, 1968.) A superficial reading of the Bible, the exhortations of Christ not to become a servant of Mammon but to remain "poor in spirit," the monastic ideals (in a secular version), the tradition of the mendicant orders, the rise of a bourgeois civilization not particularly devoted to religious fervor, "practical materialism" which is possibly a result of a commercial outlook – all this has initially fostered leftist currents in the Evangelical ("Protestant") world, but then also appeared with unexpected vigor in the Catholic do-

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main. This is an odd development because, as Max Weber and, later, Alfred Müller-Armack have demonstrated with clarity and full documentation, it was in the world of the Reformed faiths that Italian-born "capitalism" reached its apogee and the modern so-called "Protestant Work Ethic" came into being. Medieval man worked very little. Between 90 and 140 feast days (besides the Sundays) were no rarity. On the other hand, Christmas was not a holiday in Scotland even at the turn of the century. The combination of free enterprise, hard work, and the saving habit helped the "Protestant" countries to overtake the Catholic and Eastern Church nations; and only after they adopted the "Protestant Way of Life" were the Catholic countries of the West in our days able to compete successfully with their neighbors to the north. This process, however, has not taken place in most countries of Latin America. We look for it in vain elsewhere, except in the Far East, where an entirely different motivation explains the contempt for the *dolce far niente* (delightful idleness).

Twisting Theology

The inroads of leftist economic and social thinking became manifest first in Protestant theology. Suddenly, one remembered that the only persons physically chastized by Our Lord were the merchants. Now the same process can be observed in the Catholic Church. There are "internal" reasons for this state of affairs, but also external (Marxist) influences. Not to be overlooked is also a certain amount of subconscious opportunism. A new (leftist) "trimphalism" thinks to regain the "lost working class." The denominationally mixed areas of Central Europe reflect the age-old Catholic animosities against the Jewish banker, the Calvinist manufacturer, and the Lutheran big landowner. To St. Thomas Aquinas, trade was of the most doubtful moral value; but if one reads the great social-economic Encyclicals from Leo XIII to Pius XII one still finds no trace of leftist thought. A man like Father Gustav Gundlach, S.J., of the Gregorian University, a friend of mine and practically the author of *Quadragesimo Anno*, steered clear of all leftist pitfalls. The situation changed under John XXIII, personally a very conservative pontiff, when the Encyclical *Mater et Magistra* was composed largely by professors of the Lateran University.

In the Encyclical *Popularum Progressio* which had a distinct "overseas message," the leftist tenor was somewhat more dis-

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tinct. Not the Gregorian, not the Lateran University, but a group of Dominicans in Paris working under the leadership of the late Father Lebret were the main authors of this message. Father Lebret who before his demise lectured in Latin America said at a meeting in São Paulo: "Whether God is on the side of the communists or the capitalists, I do not profess to know, yet I have a sneaking suspicion that God rather favors the communists. And if you ask me whether I am unhappy about this, I must answer you candidly that I am not." These circumlocutions simply imply that a good Catholic ought to lean rather toward communism than toward free enterprise and the ideals of personal liberty. No wonder that Latin-American "Christian-Democratic" parties are often far more socialist than the socialist parties themselves. They frequently excuse their attitude as designed to "take the wind out of the sails" of the Marxist parties, but in this respect they are singularly ineffective. Note the case of Chile where a most thorough agrarian reform has merely resulted in a marked decrease of agricultural production and an equally marked increase in leftist votes which has produced a Marxist president.

The ascendancy of leftist ideas under the pontificate of Paul VI, certainly not known as a radical innovator, may be attributed to the fact that the Catholic Church has practically no outstanding economic or financial minds of the first order. At the moment only one living author comes to my mind. Here we are faced with a situation aptly described by the late Wilhelm Roepke, who had pointed out that economics without ethics are inane and that moralizing without economic knowledge is disastrous.

Charity or Justice?

This sort of injunction also should have been heeded by Miss Barbara Ward (Lady Jackson) who for some time has been considered an expert on the "emerging nations." In her recently published book, *The Angry Seventies*, prepared for and published by the Papal Commission on Justice and Peace in Rome, she reminds us of the plight of the hungry and destitute masses overseas which will wreak the most terrible vengeance if we do not make bigger and better efforts to aid them materially and if we do not redress our trade balance with them. To her — and to a number of well-meaning souls — we are guilty of their misery. (Last February the Bishop of Innsbruck, in a pastoral letter, claimed that poverty in In-

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dia is due to the *colonial* period. Apparently the wily sons of Albion introduced the caste system and some 250 million holy cows to India!)

At least one per cent of the GNP, so Miss Ward argues, must be set aside and handed over to these nations without too many strings attached. There should be international coordination, some sort of World Bank, to handle these transfers. She even demands that a steadily increasing share of the resources should be channeled through international agencies. (If I understand her rightly, by the end of the seventies these grants should reach colossal proportions.) The amount of aid due should be stipulated in international treaties and the obligation to shell it out laid down and "given the force of law." One thinks with horror of what would happen in case of a grave economic crisis when our own populations would be suffering – break the treaties?

Miss Ward's dream to aid the underdeveloped nations financially and materially is no doubt a profoundly Christian one, and we would have nothing against it in principle if she were: (a) to show us a reasonable and effective way to do it, and (b) if she would not call her plan a "new kind of justice," thus appealing to our rather masochistic Western sense of guilt. A clarion call to charity would be all right, but "justice"? Nor do I like her big stick, the menace of the hungry millions rubbing us out altogether. India's untouchables or the peons of Colombia would starve to death amidst the ruins of Ruhr valley factories. Their military victory (a most doubtful event) would not solve anything.

Anticolonialism

Let us first look at the possible methods of such aid. *In theory*, an effective means of aiding the "emerging nations" would be to enlist all sorts of enterprises of the Free World to invest *if* the "emerging nations" (a) had political stability, and (b) could offer real security. If they could meet these two preconditions, the foreign investors would be satisfied with a rather modest return. But few of the countries can give us these guarantees; and thus the history of foreign capital overseas has always been a history of eternal expropriations by "national-socialist" governments.

This lack of stability and security can be explained. The "new independent nations" which now play such a big role in the U.N. escaped much too early from their tutelage: in the case of Latin America in the early nineteenth century, under the pressure and

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with the aid of the Washington-London axis; and, after World War II, under the threats of the Washington-Moscow axis, each partner outdoing the other in "anticolonialism." In this game the Soviets, in the possession of Northern Asia, were thoroughly hypocritical while the Americans projected quite illegitimately their own historic experience to entirely different circumstances. The Congo obviously had nothing in common with the Thirteen Colonies, and Patrice Lumumba was not a dark George Washington.

Colonialism is not an invention of wicked manufacturers and bankers, as Hobson and Lenin assumed, but a natural activity of most nations faced with a power-vacuum (or a cultural void) either on their borders or beyond the seas. Without the British colonial drive the United States would not exist; without Bavarian colonial efforts this Austrian writer would not exist; without Greek colonialism Aristotle and Archimedes and Pythagoras would not have been born; without Spanish "colonialism" the Aztecs would have gone on slaughtering up to 20,000 men a week at the Teocalli; without the French colonizing spirit the *Zenanyana,* the unspeakable horrors of the Evil Night, would still be celebrated in Dahomey. There is just good colonialism and bad colonialism. And in a free world, "neocolonialism"—one nation owning property in another one—is also unavoidable. There is, if one insists, even Swiss and Dutch "neocolonialism" active in the United States. It is significant that Emperor Haile Selassie and President Tubman of Liberia deplored the fact that their two countries never had experienced the material advantage of a colonial period.

If the "underdeveloped nations" (this, needless to say, excludes ex-colonies which were mere extensions of the British motherland) escaped much too early from the domination of civilized powers, the same can be said about our Germanic-Teutonic ancestors who destroyed the Roman Empire thus starting the Dark Ages. A group of historians, discussing the time required for our forebears to match again roughly Roman levels, agreed on a period lasting up to nine hundred years.

Progress Takes Time

Our democratic illusions as to human equality make us think that the Western (or the East Asian) performance can be repeated elsewhere in almost no time. It takes generations of morally, intellectually, psychologically retrained people to establish a technological civilization of high

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material standards, a civilization demanding a maximum of discipline, responsibility, enthusiasm for hard work, cleanliness, accuracy, quickness of mind, reliability, veracity, objectivity, realism, saving instincts, business sense. Just visit factories in India (or even in Russia) and you will see where the human difficulties lie. Just read the pertinent books on Africa, dealing with the African psyche in its present stage. (Tomorrow it might be different since nations are "plastic" and change their character in the course of time, but we are talking about today.) We are here referring to documentary works like Michel Croce-Spinelli's *Les Enfants de Poto-Poto* containing taped discussions with Africans, or the Socialist René Dumont's *L'Afrique noire est mal partie.*

By and large the necessary human presuppositions for a modern, partly industrial, partly agrarian economy do not yet exist in the "emerging nations," except in Eastern Asia (Japan, both Chinas, Korea, Vietnam, but not in the rest of Indo-China) unless Western financing, Western management, Western engineering and know-how, and the enforcement of Western work discipline are brought into play. Absenteeism overseas sometimes reaches incredible proportions. Fortunately, thanks to startling discoveries, a new agrarian development is in sight but let us remember the words of Dr. J. S. Kanwar of the Indian Council of Agrarian Research in New Delhi who said that if modern agrarian methods were diligently used in only two major Indian States (out of 14), all of India could properly be fed; would this be done in all of India, two-thirds of the produce could be exported. But there are profound psychological and cultural rather than purely "financial" reasons why India starves and why the trouble in the rest of the Underdeveloped World is about the same. The average working time for the average Mid-African (male) farmer is four hours a day. After all, it took us centuries of trial and error, of disappointment and real suffering, to acquire our knowledge, our skills, our experience, *a sense of reality*, and *our dynamism.* I am talking here not only as a historian and theoretical researcher, but also as a man who annually circles the globe.

Prelude to Investment Would Be Guarantees

In other words, the necessary precondition for effective aid, *as far as investments go*, would be *guarantees* — all sorts of guarantees. In order to be fruitful and lasting, investments must be se-

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cure against expropriation, sabotage, brigandage, trade union blackmail, the destructive forces of civil wars, guerilla activities. Yet, how are we going to achieve this? The governments with some sort of permanence who can effectively give such guarantees are very few and far between. The democratically governed countries are in many cases even less to be trusted than benevolent autocracies because democracy provides the frame for the legal, nonrevolutionary rise to power of confiscatory and collectivist ideologies. I would rather invest on the Ivory Coast – which is effectively ruled by a realistic man dedicated to free enterprise – than in Chile under present conditions.

And if we talk not about investments, but about gifts, let me quote you a bright African, who complained that in the old days France as a colonial power paid for everything, but now "we look most ridiculous, one seems to be more incapable than before." France aids Africa still far too much. "If we really must sink, all right, then let us sink. Only too often, this aid which is given to us makes our lives too easy and it finds no good place in the economy of our country. It really does not help – on the contrary: it makes us lose all sense of reality." (*Les Enfants de Poto-Poto,* pp. 360-361.)

Agrarian Reformers

Higher living standards, however, can never be provided by agriculture alone. And, a technological civilization demands great sacrifices in the form of obedience, a sense of accuracy, time, and cooperation. Industrializing a happy-go-lucky, dreamy, agrarian nation without strong material ambitions can only be done with a great deal of training, education, motivation, although some ideologues maintain that it can be done more quickly by the harsh imposition of totalitarian rule, enslaving unwilling workers. However, one does not get very far by this method, witness the case of Russia and its satellites with the exception of East Germany. Even East Germany is far from having West German living standards because one cannot drive fast in the best car if the brakes are on.

Still, East Germany has the "Protestant Work Ethic," and that places it apart from the other satellites. Intelligent observers like I. Rosier, Fredrick B. Pike, and Jean Gebser have realized that the key to a material improvement overseas is the refashioning of the minds and habits of "underdeveloped" nations. This, however, cannot be achieved without a radical change of their cultures. Take only the fact that in Hindi the word for yesterday and tomorrow

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is the same. (It differs from "today.") The automobile does not mix with juju. As Arthur Koestler has told us in *The Lotus and the Robot,* civilizations are package deals. One cannot pick out certain items and leave the rest.

Emerging Nations, Orphaned Too Soon

At the root of the tragedy we indeed find the premature decolonization. In this connection it has always to be kept in mind that colonies, contrary to a generally accepted myth, were profitable only in a very few cases. Of Germany's colonies before 1914, only little Togo was in the black. The Belgian Congo was a sound financial proposition only in the 1940-1957 period. Between 1908 and 1960 Belgium invested no less than 260 million gold francs and earned 25 million. The profits France derived from its colonies in this century was about one-fourth of the original investments. Disraeli thundered against the "miserable colonies" and Richard Cobden inquired: "Where is the enemy who would do us the favor to steal them from us?" Adam Smith was right when he ridiculed the panic which broke out in Britain after the loss of the Thirteen Colonies: British exports to North America, valued at $15 million a year before American Independence, reached $61 million dollars by 1806. Colonies might be a matter of national pride or of military interest, but if inhabited by a "backward" population, they seldom are a paying proposition.

It is, moreover, by no means accidental that the present European prosperity arose with the loss of colonies, that the European nations with the greatest per capita incomes (Switzerland, Norway, Sweden) never had colonies. The expenses involved in providing the colonies with roads, railroads, hospitals, health services, schools, universities, administrative machines, military and naval installations, while still so much had to be done at home, were enormous. And if well-meaning Americans complain that the Belgians or the Portuguese did nothing for the higher education in their colonies, that native M.D.'s and Ph.D.'s did not roll *en masse* from the assembly lines, let them remember the net result of the "intellectualization" of the American Indians; in spite of great material sacrifices, the results are not encouraging. What simply happened all over the globe is that the colonial youngsters left the home of their foster parents prematurely in a huff and now demand that someone else care for them. (The two sugar daddies, Uncle Sam and Uncle Ivan, are in

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for it too.) The young runaways refuse to face their defeat. They belong – to use the labels of H. Fortmann – to Cultures of Shame, while we belong to a Culture of Guilt. And they have nicely succeeded in making some of us feel very guilty. Of course, Westerners are occasionally tough people, but there can be no doubt that we have *treated each other infinitely worse* than we treated the nations and tribes in overseas areas who, without Western medical services, would exist on a much smaller scale.

Self-Help

As charitable Christians, we ought to aid them. Let us, however, discard the notion of a "New Kind of Justice." Let us find intelligent ways to help them in transforming themselves into modern nations because, for better or worse, *they* want it. In the meantime we ought to determine the way and modality of such (charitable) efforts. This is a most difficult problem whose treatment ought to vary from place to place. Handouts certainly will not do. Who, after all, should be the immediate recipients? Certainly not the governments of most of these countries. I think with horror of the palatial buildings erected by Mr. Kwame Nkrumah, of his luxury yacht, of the golden bed of his finance minister, of Mrs. Indira Ghandi's check for $50 million offered to Nasser after the Six-Day War, of loans to certain Latin American countries reappearing as deposits in American and Swiss banks. Or should we distribute cash at street corners?

God gave to most, though not to all, of these countries prodigious *natural* wealth. Tangible wealth, however, as Japan, Switzerland, Scandinavia, and Taiwan teach us, is the fruit of human effort. Therefore, we have to try patiently to show them a way which, after everything is said and done, can only somehow resemble ours. This is a most complex and, above all, psychologically difficult venture. The "underdeveloped nations" would have to take our extended hand without any display of false pride – take it or leave it.

IDEAS ON LIBERTY

John Milton

BUT what more oft in nations grown corrupt,
And by their vices brought to servitude,
Than to love bondage more than liberty –
Bondage with ease than strenuous liberty?

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The Creative Thrust of Capitalism

MERRYLE STANLEY RUKEYSER

WHILE the unaware and the fantasy builders have been gleefully pointing to the imminent decline of capitalism, the world of reality in Southeast Asia, West Germany, and elsewhere has since World War II demonstrated the enormous potentials of the open market free choice system in accelerating productivity.

On my recent visit to the Orient, I was struck with the potency of ideas and philosophy in improving hitherto meager levels of material well-being. Certainly Taiwan, Hong Kong, South Korea, Singapore, and even Japan are without large natural resources, but the industriousness of their work force under improved management and increased foreign investment have delineated the complex factors that make for accelerated growth.

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The secret success ingredients have included the introduction of better methods and increased use of capital goods – labor-aiding machinery – under conditions that enlarge individual freedom of choice and incentives. Such disciplines as improving technology, increasing capital investment, and introduction of new management techniques stand in sharp contrast with the effortless panaceas sugar-coated with labels of "liberalism" and socialism. Socialism's appeal is based largely on emotional factors rather than on relative performance in achieving better living under competing systems.

If little Taiwan is used as a microcosm for fact finding, it becomes clear that there are broadly two approaches to problem solving. One is the purely demagogic approach of ignoring costs and individual preferences and assuring perpetuation of even unwanted

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activities through the "miracle" of subsidies. If, by way of illustration, railroad labor, material, and tax costs are out of line with revenues, the easy solution lies in clamoring for subsidies. Similarly, if arbitrary lifting of construction wages far out of relationship to productivity results in prohibitively high costs, the "remedy" is for the state to subsidize the operation. Yet the persistent use of such uneconomic approaches in New York City and elsewhere, in the face of historic frustration, has been to deteriorate real estate and cause much needed new housing construction to be stillborn. Making the landlord stand between the home renter and inflation has caused unthinkable shortages and human degradation. But the uninformed, seeking scapegoats, fail to see that those who insist on rent ceilings without corresponding ceilings on costs are in the position of the man who murdered his father and mother and then pleaded for clemency on the ground he was an orphan.

Consequences of Intervention

The chaos in real estate is not a testament to weaknesses of the free market. On the contrary, it springs from decades of bureaucratic interference with the operation of a free market.

Such approaches are self-defeating. The Republic of China on the island of Formosa turned from such folly. It acts on the belief that progress lies in technological improvements which cut costs through improved productivity. It takes creative talent for innovators to devise methods for making two blades of grass grow where but one grew before, but political hopefuls persist in pontificating that we'll subsidize you *if you can't* get costs down to a level customers are able and willing to pay. The providers of subsidies are being liberal with other people's money. They interfere with the essentials of a competitive system in which the customer is the boss. By buying or withholding orders, the consumer in a free economy decides what should be produced, in what quantities and according to what specifications. When there are subsidies, however, government forcibly steps in and weakens the capacity of the customer to discipline the businessman. Instead of resting the survival of an enterprise on pleasing potential buyers, the inefficient hope to get by through pressuring politicians. When the businessman recoups part of his costs out of levies by government on the taxpayers, the customer is weakened in his sovereign rights at the market place.

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Instead of facing the discipline of innovating or perishing, the inefficient producer rests on his laurels and hopes to live on the crutch of subsidies. But this makes everyone poorer, since inefficiency and waste are thus socialized, not eliminated through new and improved techniques.

The creative energy inherent in economically prudent operating principles has caused a growth rate in Taiwan (Formosa) far above the 5 per cent a year target set by the U.N. for emerging underdeveloped nations. Taiwan had been handicapped by fifty years of stagnation under Japanese overlords. Only 25 per cent of its scarce land – about 2.3 million acres – is arable; and industry fifteen years ago was primitive. Personal incentives under the Chiang Kai-shek regime were heightened by the sale of government owned land to farmers.

Taiwan vs. Mainland China

With massive economic aid from the United States which came to an end in 1965, Taiwan with its forward thrust in farming and in commerce and industry, has become a yardstick for measuring the high cost on the Chinese mainland of operating there in accordance with Leninist-Marxist doctrine.

Since 1953, the Republic of China (Taiwan) reports an annual increment in economic activity of 8 to 10 per cent, while the mainland was stagnating. Paraphrasing Marie Antoinette's "Let 'em eat cake" at the time of the French Revolution, the mainland communists were in effect telling their underfed people: "Let 'em eat propaganda."

More impressive than the imperfect statistical information about mainland China has been the eagerness of its nationals to escape, as evidenced by the number of people pressing to get into Hong Kong, whose population rose from 600,000 at the end of World War II to in excess of 4,000,000. Meanwhile, per capita income in Taiwan rose from a bare $43 in 1952 to $258 in 1968.

In agriculture, if 1952 is taken as 100, production of farm products in Taiwan in 1969 had grown to 226. While the total area cultivated increased only two or three per cent, the yield per acre was doubled. The intensification resulted not only from technical farming procedures, but also through land reform, better farm credit facilities, and rural electrification. So impressive have these gains been that the Taiwan Government has recently been sending out at its own expense technical missions to emerging countries in Africa, Latin Amer-

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ica, and elsewhere to demonstrate how to fight hunger by producing more on available farm acreage. The results reflect a consolidation of many changes, including pest control, crop rotation, mechanization on farms, and better motivation of farmers. Principal crops include rice, wheat, soybeans, sweet potatoes, and vegetables, and the little island nation also produces peanuts, sesame, pineapples, and sisal. As a result, Taiwan has not only become self-sufficient in food, but actually exports some.

In industry since 1952, the annual rise has been 14.2 per cent and in manufacturing 15.1 per cent. Despite the sharp percentage gain in wages, labor rates and living standards are still low – not only by U.S. and Western European standards, but also in comparison with Japanese levels. Japan has been experiencing a labor shortage, and has diverted some of its industrial production to Taiwan, South Korea, and elsewhere, where labor has been more abundantly available. Japan and the noncommunist nations in Southeast Asia, including Hong Kong, and Singapore, have succeeded with negligible natural resources. The countries import raw materials and export finished goods. Originally they traded primarily on low labor costs, but with the rise in prosperity there has been a partial narrowing of the gap between Southeast Asian labor costs and those in the West. Such emerging competition poses new problems for the United States; we can no longer ignore high money wage rates here on the ground that we possess unique means of offsetting them through technology. Japan and its neighbors have adopted sophisticated technology.

Investment Makes the Difference

Taiwan has gone in diametrically the opposite direction from collectivization in mainland China. This is evidenced by the fact that private enterprises in Taiwan have grown 14-fold over the last 18 years, whereas governmental economic operations there, including enterprises formerly owned by the Japanese and turned over to the government, and power, railway, highway, ports, and communications – all in the public sector – have meanwhile multiplied only 5 times.

In contrasting the approach in Taiwan with that of mainland China, a spokesman for Taiwan said: "Communist China has always been against 'material incentives,' although small doses of such rewards existed both in agriculture and industry. The 'Cultural Revolution' tried to eliminate

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even these small doses, but recently there has again been less denunciation of material rewards which seems to indicate that some enterprises are again resorting to this 'reactionary' practice.

"The low productivity in China is also due to lack of investment capital."

Republic of China officials assert that the island nation is now internally generating enough capital to finance its continuing development.

The earlier strides made in Taiwan were made possible not only by better management methods and better disciplined workers but by capital formation. This was set in motion by investment by foreigners, including Chinese living overseas. These figures, supplied by the Taiwan Government, show the trend:

FOREIGN INVESTMENTS BY COUNTRY
(Expressed in units of $1,000—U.S. Currency)

Year	United States	Japan	Others	Total
1953	1,881	160	—	2,041
1954	2,028	14	50	2,092
1955	4,423	—	—	4,423
1956	1,009	—	—	1,009
1957	11	37	—	48
1958	—	1,116	—	1,116
1959	100	45	—	145
1960	14,029	309	—	14,338
1961	4,288	1,301	375	5,964
1962	738	2,664	639	4,041
1963	8,734	1,397	216	10,347
1964	10,223	728	916	11,867
1965	31,104	2,081	1,955	35,140
1966	17,711	2,447	746	20,904
1967	15,726	15,957	7,005	38,688
1968	34,555	14,855	4,035	53,445
1969	27,882	17,642	36,697	82,221
TOTAL	174,442	60,753	52,634	287,829

Progress Abroad Matched by Deterioration at Home

While there have been new laboratory demonstrations since World War II in Japan, Southeast Asia, West Germany, Republic of South Africa, and elsewhere of the vitality of the free market and the competitive system, there has been in the United States, the world's traditional showcase of free enterprise, an increased tendency to whittle away at the system.

Right now, after giving lip service for more than a generation to freer international trade, this country, under the pressure of rising competition from Japan, West Germany, and elsewhere, has been reversing policy and discussing the achievement of salvation through restrictive quotas rather than through establishing better technology which would enable Americans to hold their own without artificial props.

After World War I, fear of the foreigner resulted in increased immigration restrictions in this country, with rigid quotas. This was done to save the relatively well paid jobs of domestic workers. But capital is international, and, while the movement of men was restricted, capital flowed across boundaries. Through direct investment American companies opened their own facilities in foreign labor markets. Thus, there

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was leakage in the primitive effort to preserve jobs on a basis other than competitive efficiency.

Now, in face of the hazard of pricing ourselves out of markets, there has been talk in the House Ways and Means Committee of setting import restrictions on shoes, textiles, and other products. But, even if such quotas would temporarily appear to do the job, they would tend to lead to blind alleys. If Japan, for example, is restricted on shipping textiles to the United States, its enterprisers will strive for survival through capturing a substantial part of the foreign markets to which American firms are still exporters.

The prime objection to seeking salvation by restraining the freedom of the marketplace is that it diverts attention from real problems. The basic issues are the needed changes in U.S. technology, laws, collective bargaining procedures, relations between government and business, and in management policies to heighten efficiency in making and distributing goods and services. Certainly the inflationary policy of the Federal government and the class bias in the labor-management laws cannot be swept under the rug. In his State of the Union Message two years before he retired, President L. B. Johnson, while giving a goodie to the unions in recommending repeal of Section 77B of the Taft Hartley Act assuring freedom of the states to pass right-to-work laws, significantly suggested a review of the whole field of labor-management legislation. The concepts in existing Federal labor-management laws are obsolete and reflect the depression-bred fears of 1935 when the Wagner Act was passed. The need is to let economic forces operate through the open competition of the unhampered market.

The Methods of Capitalism

IDEAS ON LIBERTY

AMONG the "less developed" countries, *as the term is most often used,* almost all have at least one thing in common. They are countries that desire capital but have not yet put into practice the methods of capitalism.

HAROLD M. FLEMING, *States, Contracts and Progress*

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CLARENCE B. CARSON

Throttling the Railroads

9 The Future of the Railroads

VIRTUALLY everyone who has any interest in and knowledge of the transportation situation in the United States must agree that the railroads are in trouble and that their difficulties are very closely related to a host of other transport problems.

The vast Penn Central system is bankrupt. One after another once famous passenger trains have been cut, and less well known ones have long since been canceled. Most companies say that they lose money on their commuter business. Street transportation companies in most cities are generally money losers. Traffic congestion is endemic around and within most cities of any size. Exhaust from the internal combustion engine used on automobiles, buses, and trucks principally is a major pollutant of the atmosphere. Railroad unions are perennially on the verge of striking and tying up transportation throughout the length and breadth of the country. Highway building in the urbanized areas of the country goes on at a torrid pace and yet it always appears to be behind the rising demand for highways and streets. Disposal of waste – in some considerable part a transportation problem – is a mounting burden.

The decline of the railroads is not a development isolated from everything else in America; the effects extend outward to the much

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more comprehensive matter of all of transportation, and what happens to transportation affects the commercial and fraternal life of a people.

Proposed Remedies

Proposals for doing something about the transportation situation have not been wanting. Governments at various levels have begun tentative and hesitant reversals of long term policy toward the railroads within the last decade or so. Politicians have at long last ceased to talk of the railroads as if they were a menace that somehow has to be contained else it will destroy the country. They have begun to treat them more as if they were respected elderly grandparents, for whom some provision must be made in the period of their dotage. Subsidies are now being provided for various commuter trains and some for longer distance ones. The Federal government is about to commit itself to take over and run the remaining passenger trains, if the companies cannot do so. In a similar fashion, cities have been subsidizing or otherwise taking over street transportation systems.

One proposal which has much support is that government should devote itself to coordinating the various modes of transportation within the country as well as the international carriers under its authority. Indeed, Congress charged the Interstate Commerce Commission with some such task as this for surface transportation in an act passed in 1940. The preamble said:

> It is hereby declared to be the national transportation policy of the Congress to provide for fair and impartial regulation of all modes of transportation subject to the provisions of this Act, so administered as to recognize and preserve the inherent advantages of each; to promote safe, adequate, economical, and efficient service and foster sound economic conditions in transportation and among the several carriers; to encourage the establishment and maintenance of reasonable charges for transportation services, without unjust discrimination, undue preferences or advantages, or unfair or destructive competitive practices; to cooperate with the several States and the duly authorized officials thereof; and to encourage fair wages and equitable working conditions; all to the end of developing, coordinating, and preserving a national transportation system by water, highway, and rail, as well as other means, adequate to meet the needs of the commerce of the United States, of the Postal Service, and of the national defense.[1]

[1] Quoted in Marvin L. Fair and Ernest W. Williams, Jr., *Economics of Transportation* (New York: Harper, 1950), pp. 727-28.

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Politically Impossible

All this may sound quite plausible on paper. Why, indeed, should the government not develop a national coordinated system of transportation? Why could it not use the carrot and the stick, alternating with regulations and inducements skillfully administered so as to achieve this national goal?

The most direct reason why government cannot develop a coordinated transportation system is in the nature of politics. Politicians operate by conciliation and compromise. They attempt to balance interest against interest, region against region, rural population against urban, and so on. Whichever interests are at the moment most clamorous and crucial to election victories will receive the most attention. It is difficult to see how this would be likely to result in coordinated economic activity.

At a little deeper level, it can be seen why government would not succeed in this even if it could mirror the electorate much better than it usually does. Government intervention tends to fix relationships in patterns that have existed at some time in the past. This is so, not only because government action inhibits change and places obstacles in the way of adjustments to new circumstances, but also because any sort of factual basis upon which men would operate to coordinate transportation would be taken from the past – i.e., would be historical. If all the data that might conceivably be brought to bear on transportation were fed into a computer, the answers that could be obtained from the computer, so far as they would be factual, would be answers for some time in the past. To make the point concrete, it might be possible to construct a model for a coordinated transportation system for 1925 on the basis of data now available. But none can be constructed now for 1975 except by extending current figures – that is, fixing it in the present pattern – or by speculating as to what will be needed in the future.

The Uncertain Future

The deepest reason why government cannot intervene so as to provide a coordinated system is that no one knows what modes of transportation are wanted in what quantity and of which quality in the future. The present writer does not know how many passenger trains between which points may be wanted in the future. He does not know whether there should be more or less than there are at the moment. He does not know how many hopper or grain cars will be needed next season, how many automobile carriers,

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how many gondolas, how many flat cars, where a new railroad should be laid and an old one discontinued, where new stations should be built and old ones abandoned, and so on. This writer does not know, nor does anyone else, what will be wanted in the future. If he did know, he could become fabulously rich by providing it at just the right time and right place. But alas, such infallible foresight is denied to us mortals, whether we are clothed with the powers of government or not.

This being the case, a coordinated transportation system, if there is to be one, will have to be built by trial and error, by speculation; and it will never be completed until all change has ceased. This means that there will be malinvestment, that there will be waste, that some of the speculations will not pay off. This is one of the central arguments for having such speculations made by private investors rather than government. If government agents guess wrong, we all pay. If private investors guess wrong, they lose.

Irresponsible Performance at Everybody's Expense

But we do not all simply pay once and get it over with if those in government guess wrong about what is wanted; we may continue to pay and pay. Politicians do not readily give up when they are wrong; they frequently continue to throw our good money after their bad decision. They have fertile imaginations when it comes to thinking of reasons for operating enterprises at a loss. If they operate passenger trains which have only an occasional passenger, they can still justify it on the grounds that if an all out war came the trains would still be needed, along with many other reasons of like character.

Past experience indicates, also, that if government enterprises do not succeed economically, the politicians rather than blaming themselves will blame the people, or, more precisely, some portion of the people which can serve as a scapegoat. Government power may then be used to make the people fit the procrustean bed of facilities that government has provided. It is easy to see how this might work with a coordinated transportation system. The more popular modes could be scheduled at inconvenient hours and the less popular ones at peak hours of transport need. Increasing restrictions on the use of private automobiles and trucks and airplanes would likely be made in efforts to make governmental facilities pay off. (Of course, private companies like to have such aids as these from governments when they can get them.)

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Summation of Evidence

But it is not necessary to resort to the imagination to examine the effects of intervention. This work has already explored many of these in detail in connection with the railroads. The main reason there is not now a coordinated system of transportation in this country is government intervention. A summation of the conclusions from evidence already presented will make the point. Government intervention in railroad activity has:

1. discouraged investment by limiting earnings and prescribing conditions of operation.

2. discouraged innovation not only by harassing investors but also by making railroads continue costly operations once they have been established.

3. discouraged consolidations that would have produced truly transcontinental systems by the long and short haul clause as well as other devices.

4. discouraged competition by establishing rates and service requirements and by fostering consolidations among naturally competitive lines.

5. subsidized and advanced other modes of transportation while inhibiting railroad competition by regulatory measures.

6. empowered railroad employees against the companies by supporting unionization, by sponsoring collective bargaining, by establishing seniority systems and work rules, and by fixing an expensive retirement system on the railroads.

7. produced bankruptcies, coddled inefficiency, and adopted penalties of one kind or another for the efficient.

8. fostered overconstruction at the outset, prevented the abandonment of unremunerative lines and facilities, and required the railroads to pay for expensive safety measures which are usually provided at taxpayer expense for other modes of transportation.

9. taken from railroad managements most of the authority for making entrepreneurial decisions but fastened upon them the responsibility for continued operation.

The list could surely be extended but the point emerges:

The present transportation mess is a result of government intervention. The railroads have been greatly limited in their appointed task of helping to link the country together commercially and fraternally. They have been hampered, restricted, limited, inhibited, harassed, regulated, pushed, pulled, and controlled. The fact that some railroads can still operate profitably is testimony to the great economic advantages of this mode of transportation.

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Subsidies and Controls

The Federal government is now proposing to take over and operate passenger trains if the companies will not continue them. Already subsidies are being provided for the Metroliners on the Penn Central and for some commuter trains. There is a familiar pattern in this activity. Governments first adopt restrictions and regulations which inhibit private enterprise in providing certain services. Then, they enter the field to provide the services. It has happened with city transportation systems. It has happened with housing. Once in the field, governments extend their domain, and taxpayers are called upon to make up the losses incurred by government operation. What community in America will not want a Metroliner? And what politician will not see votes in requiring the government to provide it?

Some railroads may see a bonanza in all this. But they should long since have learned to beware of governments bearing gifts. It is easy to see that if government operates passenger trains, and private companies the freight trains, a contest will quickly develop over which shall bear what proportion of the costs. Government can bankrupt line after line by shifting the costs toward freight, thus setting the stage for government takeover of the railroads.

There is a way out of this mess, however, which promises much better results. It is a way that even the railroads may be too timid (or too fearful) to suggest. It is a way that promises much for investors, for management, for workers, and, above all, for consumers. It is the way of freedom rather than control. It is the way of economy rather than waste. It is the way of service rather than servitude. It is the way of mustering the ideas and abilities of numerous men rather than the stultifying concentration of decision-making power which now obtains. It is the way of prosperity rather than depression, of life rather than death for an industry.

In short, turn the railroads loose! Remove the restrictions, limitations, controls, prescriptions, and regulations which now hamper and restrain them. Allow them to serve in whatever ways they can and will, profitably and felicitously. There is no reason why they should not be allowed to, and every reason why they should.

Free the Market

If what is wanted by Americans is a coordinated transportation system which will provide for their transportation needs, then one of the ways they can hope to

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have it provided is to turn the railroads loose, turn them loose to charge market determined prices, turn them loose to form whatever combinations may appear to those involved to be desirable, turn them loose to extend services where they will and to abandon those that are unwanted, turn them loose so that their managements can make the entrepreneurial decisions, turn them loose to hire whom they will at whatever wages are mutually agreeable between employer and employee, turn them loose from the grip of subsidized and privileged competitors, turn them loose to take advantage of their low variable costs and allow them to increase their proportion of the traffic so as to meet their high fixed costs – in short, turn them loose from the ubiquitous grip of government.

The most direct way to accomplish this would be to repeal the vast century-long tangle of state and Federal legislation affecting the railroads. Abolish the Interstate Commerce Commission and the various state regulatory commissions. Remove all prescriptions as to rates, service, investment, sale, abandonment, long and short hauls, new construction, and so on. This would leave the railroads free to manage their own affairs. Remove all the special privileges extended to labor unions. Cease to subsidize competitors in various ways.

Chaos Now Prevails

Americans have been taught to believe over the years that chaos would result if this were done. It is true that we could expect many changes if railroads were freed from restrictive and inhibiting legislation. One of the things that might be expected is that under the prod of economic necessity railroad men would begin to shake off their lethargy and become more vigorous. Competition would revive: among railroads, with barges, with trucks, with automobiles, with airlines, and so on. Railroad managers might be expected to cease thinking of ways to curtail service and to start thinking of ways to extend it. As some railroads began to be quite profitable, investors would be lured into putting more money in them. Stocks whose prices have been stagnant for decades might be expected to begin to fluctuate considerably. Imaginative entrepreneurs would dream of nationwide rail systems and move to form them. Prices of rail services would fluctuate, differ from company to company and region to region. New sources of goods and services would be opened up to vie with established ones. Some services would be abandoned and new ones

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would be conceived. Truckers, barge lines, and airlines would feel the spur of competition. Companies that could not compete successfully would sell out or go out of business.

If this be chaos, it has never been clear why the consumer should fear it. It is clear why all sorts of vested interests might and do fear competition and enterprise, why those in the business fear competition for they may not be able to hold their own, why labor union leaders and those with seniority fear the competition of would-be workers, and why truckers, barge lines, and airlines would fear freed railroads. But the worst the consumer – which is all of us – has to fear from competition is lower prices and better service. If the increase of choices and decisions he is offered be chaos, then many would no doubt welcome such chaos.

Freedom Brings Order

Actually, we have the chaos now, the chaotic tangle of legislation within which all commercial transport operates, the chaotic patchwork of railroads over which goods and people must pass to go from coast to coast, the chaotic situation on the streets and highways as vehicles of a vast assortment of shapes, sizes, and operating conditions vie with one another for limited space, a chaotic situation which results in the rending crashes which produce their annual huge tolls of dead and wounded bodies and vehicle destruction, the imminent potential chaos which strikes perpetually threaten, the chaotic structures and facilities of a declining railroad industry unable to attract new capital, and so on. It is ironic to fear that freedom would result in chaos when we are confronted on every hand with chaos, both actual and potential, much of which has resulted from intervention.

Of course, the railroads are not the only means of transport that should be freed. Others are restricted and restrained by regulation also. It is this restraint of commercial transport, while leaving individual transport free, which has produced so much that is unwanted today, so many of the deaths and injuries on the highways, so much of the congestion, so much of the pollution, and so much of the contest for limited space. If we continue to inhibit commercial transport, we shall, no doubt, have to place increasing restrictions on individual transport. There is another way. It is to free all transport of any restraints that are not directly related to protecting life, liberty, and property. Coordination will occur within the marketplace; profes-

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sionals will do much of the work of transport; the amount of congestion and pollution will probably be greatly reduced; and the choices of means and quality of transport will increase. Such a prognosis is warranted from past experience with the market.

As things stand, the future of the railroads is bleak. So is the future of consumers of their services. Over a period of about ninety years, virtually every sort of intervention has been tried – intervention which has brought us to the present pass. It is time for yet another experiment – an experiment with freedom.

IDEAS ON LIBERTY

An Orderly Universe

WE THEREFORE BELIEVE in liberty because we believe in the harmony of the universe, that is, in God. Proclaiming in the name of faith, formulating in the name of science, the divine laws, flexible and vital, of our dynamic moral order, we utterly reject the narrow, unwieldy, and static institutions that some men in their blindness would heedlessly introduce into this admirable mechanism. It would be absurd for an atheist to say: *Laissez faire!* Leave it to chance! But we, who are believers, have the right to cry: *Laissez passer!* Let God's order and justice prevail! Let human initiative, the marvelous and unfailing transmitter of all man's motive power, function freely! And freedom, thus understood, is no longer an anarchistic deification of individualism; what we worship, above and beyond man's activity, is God directing all.

Editor's note by GEORGE B. DE HUSZAR, inspired by an unfinished passage in Frederic Bastiat's *Economic Harmonies*.

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PAUL L. POIROT

COST-PLUS PRICING

EVERY SELLLER of a commodity or service wants to cover his costs of production and receive something over and above such costs if possible. He spends long hours keeping records and, with rare exception, believes that he actually sets the price of his goods and services by adding a margin above his expenditures.

The truth, however, is that all recorded costs of an item are washed out and rendered irrelevant by the actual market price at which that item is traded – a price determined by the competitive forces of supply and demand. That price becomes the new "cost" of consideration to the next user, regardless of how much labor he or any prior owner expended on that particular item. And if he sells it in turn to another willing buyer, the latter's demand will have as much to do with determining the price as do the supplier's recorded expenses. Cost, of course, influences the supply side of the market and thus the price; but costs incurred do not determine price.

To believe or to say that any item of commerce is but the sum of the costs incurred in producing it – a package of somebody's prior labor – is to introduce a confusing irrelevancy into the bargaining process that determines the price at which free trade takes place. The only relevant factors in a voluntary trade are that each party to the transaction, at the moment, values what he receives more than he values what he gives. Each thinks that he gains from the trade, no matter what costs were incurred to produce what he gives or gets in exchange.

That's all there is to the sub-

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jective theory of value. It takes into account the demand as well as the cost of production. And this determination of prices in the open competitive market affords the current running record of costs and returns that a businessman needs in order to calculate profit or loss and judge whether or not to continue a particular business activity.

His record of yesterday's costs and returns may afford him some clues as to the efficiency of his procedures. But today's prices are the nearest indication available to him as to what tomorrow's costs and returns may be. What are today's prices for the buildings and machinery in use as compared with other production facilities now on the market or waiting to be invented? What are today's prices for various raw materials as compared with available or potential substitutes? How do today's prices for hired help compare with prices for labor-saving machinery? And how do today's prices for his saleable commodity or service compare with prices for competing items?

The Labor Theory

Despite this marvelous facility of market pricing and economic calculation, a man as producer finds it almost impossible to view his product or service other than as the result of labor or work. If he's working for wages, he demands a wage rate high enough to keep pace with "the cost of living." If he's selling wheat or corn or beans, he wants prices high enough to cover his costs of production. If he's providing a postal service under an exclusive government monopoly, he wants postage rates to cover costs.

In other words, the seller's inclination is to try to hedge against the forces of supply and demand so as to assure a price that would include a "fair" markup over costs. What he seeks, in effect, is a guaranteed customer. And the postal service monopoly is a good example of such a condition. If the customers do not cover the costs, other taxpayers are obliged to do so. Market prices, with competitive postal services, are forbidden. There is no way of knowing what might be the demand for or the supply of postal services if buyers and sellers were obliged to look to the market to tell them how much of which scarce resources to devote to such purposes. Resources are simply used in the postal monopoly, with no way to know whether the use represents conservation or waste. The force of government sees to it that the full costs are covered by taxpayers, regardless of the inefficiency and waste.

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Outside the Market

Government pricing and government contracts, including the payment of subsidies of any kind, always are on a "cost-plus" basis because in those cases the efficient market method of pricing has been prohibited. Supply and demand are ruled out of the determination: the customer is led to believe the resources involved are not very scarce – relatively free; the supplier is guaranteed that taxpayers will cover his costs, whatever they may be. Such socialistic pricing affords no effective method of economic calculation by which to measure success or failure, profit or loss, conservation or waste. Thus, socialists are foredoomed to stumbling in the dark with their outmoded labor theory of value – the sum of costs.

As long as men continue to view goods and services as a package of labor or the sum of the costs of production, they will continue to turn to government for subsidies, handouts, privileges, guaranteed incomes, protectionism, and the like. The more this is done, the less chance there is to trade for gain in the open market – the only system of pricing that conserves rather than wastes scarce resources.[1] Chief and foremost among those scarce resources is man, not for his capacity to consume as the socialists imply, but for his productive power to serve himself by serving others.

[1] It may be assumed that the most urgent purposes of consumers will be served in one way or another and that it is best to do it as efficiently as possible. A businessman's profit or loss is the measure of his efficiency—his capacity to minimize the cost of serving consumers. Profit denotes the conservation, and loss the waste, of scarce resources.

IDEAS ON LIBERTY

Security May Betray Us

WHENEVER I hear that the *government* is helping someone, I feel sorry for that person. Or whenever I find that someone, by a monopoly grant of power, has a sure market or a sure job, I feel sorry for him too. Even helping a person to help himself may be a disservice to him; for you will probably – perhaps unconsciously – compel him to do it your way. Charity, if needlessly bestowed, probably will have a vicious effect. People who are promised support will hardly work. All grants, all subsidies, all rewards for services not rendered have a deleterious effect on character; and if character is not of foremost consideration, what is?

ARCHIBALD RUTLEDGE

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THE PROTESTERS

W. A. PATON

SOCIOLOGISTS and psychologists (to say nothing of other academic specialists) have been having a field day diagnosing, explaining, and – at times – condoning the phenomenon widely known as "student unrest." Indeed, the concern of some of the professors has waxed to the point of willingness to promote, and even to participate in, the programs of the campus revolters. With this situation it is not unreasonable to conclude that the sympathetic professors have played a significant part in providing a climate that encourages student discontent, and must assume a measure of responsibility for the consequences. Especially in the "social sciences" there are many instances of instructors who neither require serious study of the subject (such as it is) nor regular class attendance, which leaves their students with plenty of time to cultivate restlessness. And in some departments it is easy to find members who seem to be none too busy themselves, either at teaching or engaging in any other form of scholarly endeavor. This is still not the typical state of affairs, it should be acknowledged, in medicine, engineering, and the professional schools generally, where a majority of the students are striving diligently to gain a handhold on a career ladder, and most of the teachers are trying hard to be helpful.

Playing a role perhaps more im-

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portant than that of the professors in opening the door to the restless and unruly are the acquiescent and obliging administrators, widely represented among today's college and university presidents, deans, and other officers. The extent to which these people cater to the dissident groups is nothing short of amazing, and deeply disturbing, to many old grads. And boards of trustees and regents should not escape mention in this connection. Often a majority of the members of the governing board are not favorably inclined toward the attitudes and policies of faculty and administration, but they turn their backs most of the time and pussyfoot even when conditions clearly call for a positive stand.

Semantic Confusion

To support the view that the leaders in campus disorders are idealists troubled by the ills of the educational system, and incensed by the limitations of prevailing programs for dealing with the plight of the disadvantaged and downtrodden, resort is had to some very sorry semantics. Words are potent weapons in man's affairs, and their misuse can bring unfortunate results ranging from minor misunderstandings to tragic confrontations and crises. The disturbances in the schools we are currently witnessing cannot reasonably be regarded as constructive efforts to improve the educational process, or amend alleged bad practices in any other area. Fomenting disorder, smashing windows and burning buildings, throwing missiles (from bricks and rocks to bombs and bullets) at the police and other official law-enforcement personnel, physical attacks on students and teachers who are trying to carry on – these are hardly the earmarks of an idealistic reform movement.

I have personally viewed hundreds of shattered windows and doors on the beautiful grounds of one of the world's renowned private universities and the experience was nightmarish. At a large state institution, which I know well, one episode was the seizure of the new undergraduate library, which cost the taxpayers several millions, by a band of twenty to thirty "youths" who held possession for many hours while wrecking files and equipment, disarranging and damaging thousands of volumes, defacing walls, and otherwise disporting themselves. The result was a shambles, forcing a temporary complete closing of the building, to the great disadvantage of the thousands of undergraduates regularly using the library's facilities. This costly caper of the "militants" is only one

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of a long list of interferences with normal operation during the last three years, usually featured by violence and vandalism, and the total effect has been a substantial impairment of the functioning of the university. To date, moreover, not a single student participant in the disruptive incidents has been expelled, or even suspended. A dean did indeed announce suspension of one stalwart "youth" who knocked a teacher down and broke his glasses, but the outcries of outraged "student government" groups and their faculty supporters soon induced a revocation of the dean's initial decision.

Query: Why shouldn't campus rowdies, thugs, vandals, and rioters be properly and plainly described, instead of being labeled as "protesters," and credited with an earnest desire to better school environments and operations and assist in solving all pressing social problems?

Professional Agitators

There is solid evidence that hardened agitators, often trained abroad, are involved in most major strikes and riots in the schools as well as on the streets. These are people dedicated to destroying the American educational system and – ultimately – producing a condition of general chaos that will insure the complete collapse, like a house of cards, of our political and economic institutions. Apologists for the student activists, and the disorders in which they figure prominently, should take note of this established fact. There is room for argument, of course, as to just how potent the professional agitator cells are, in stirring up trouble.

With respect to the faculty members and administrators who are prone to defend groups and organizations sponsoring militant "movements" and activities, there is a noticeable tie that binds: almost to a man they are either outright socialists, or dominantly socialistic in outlook. They are all definitely unfriendly to private business enterprise and an unhampered, competitive market; they damn capitalism at every opportunity, in the classroom and elsewhere, either bluntly or by sly slurs and digs running from faint praise to half-truths and downright misrepresentation. Generalizing as to the views of the student troublemakers is less warranted, but that the leadership of the various groups is heavily loaded with Marxists and procommunists is very clear.

Nothing can be done, needless to say, to convince the partyline foreign agents, and their confirmed fellow travelers and sycophants, that there is any merit in

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the American experiment in individual freedom – freedom to move about, to choose an occupation, to save and acquire property, to prosper, and (on occasion) to become wealthy. But we can still hope that the host of well-meaning citizens who have been somewhat tolerant of the youthful "protesters," and indifferent to the turmoil they have stimulated in the schools, will wake up, and exert a restraining influence before the wrecking operation reaches the point of no return.

Widespread Mental Smog

One striking feature of the times is the willingness of people generally, and especially in the ranks of the intellectuals, so-called, to disregard plain facts and be beguiled by illusions and mirages. Common sense seems to be on the wane. The widespread mental smog from which we are suffering, it may be urged, is much more dangerous than the fumes emitted by our motor vehicles. This condition appears the more remarkable, at first glance, in a society equipped with an incredible array of gadgets providing almost instantaneous and worldwide communication, a flood of printed material on every conceivable subject, and an elaborate educational framework designed to keep us occupied with learning from early childhood on into the adult years. But perhaps this is what ails us. Perhaps we are so swamped with information – and misinformation – that the power to think, to reason, to get at the nub is becoming atrophied.

As most careful observers will agree, the protesters and revolutionaries have been aroused rather than restrained by the permissive and indecisive tactics of those in charge. Give them an inch and they'll take a mile is just as true today as in the past. Will we never learn that coddling and cajolery will not check those bent on tearing our schools to pieces, or engaging in any other form of lawlessness? And neither will "trying to understand," "opening new avenues of communication" (a fancy description for setting up a flock of committees, conferences, and discussion groups), and other soft-soap suggestions from professorial ranks, aimed at advising or mildly admonishing, restore order and efficient functioning to the campus.

The Need to Take a Stand

Nobody favors arbitrary or tyrannical suppression of the restless and discontented, even when they have no solid ground under their feet. (We greatly need the inventive and innovative individual, in all fields.) But taking a

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definite and determined stand, laying it on the line and not backing down, are essential to the curbing of destructive conduct, in school or out. There are, at long last, a few schools where this position is being asserted, forthrightly, and some supporting voices are being raised in high places in government. Delay has, of course, made the chore of restoring order much more difficult. Purging academic staffs, stiffening admission requirements, and increased willingness to resort to expulsion are developments badly needed.

A concluding question: What will be the impact on American productivity, on the level of output of goods and services, of the diversion of time and energy to attempts to cope with student lawlessness, plus the serious impairment of the usefulness of our educational facilities accompanying the school disorder and destruction? The economic system in this country is already showing signs of staggering, despite the momentum achieved by the technological advance, under the burden of costly programs reflecting the preoccupation with the needs of the ailing, the elderly, and the "disadvantaged," a widespread and increasing indifference to efficiency and good performance, a complex and stifling tax structure, a crime wave of frightening proportions, a mountainous defense effort, which probably cannot be greatly relaxed in the near future, growing governmental interference and control in all fields, coupled with fiscal irresponsibility and the continuing plague of inflation. In short, we have about all the troubles and difficulties we can take. Any substantial addition to the load at this juncture may topple us. And in the face of the prospect of tremendous increases in population (according to the predictions) how can the present per-capita standard of living be maintained, to say nothing of improvement? The almost forgotten truism that "we can't consume any more than we produce" still holds.

The Exposure of Nonsense, All in Good Time

To clear the air, blow away the mists of nonsense and confusion, there is a great need for men of the stamp of Jonathan Swift, Gilbert and Sullivan, and our own Will Rogers. What a blessing it would be if a crop of talented humorists and satirists were to spring up, with the genius to riddle with ridicule the pretensions and poses of the "liberal" professors and their ilk! (We have Al Capp, but he needs help.) Once joking about the prevailing absurdities became popular, a re-

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turn to sanity, to order, to decent behavior – as the standard to which all men should strive to repair – might well be in sight. A gale of laughter would surely be good medicine at this juncture. Even some of the "protesters" might be nudged into joining a jocular chorus, and looking with less favor on commotion and wanton destruction.

Recently I happened to open up my battered copy of *Book of Tales,* a volume edited by William Swinton and George R. Cathcart and published in 1880 as a reading supplement for third graders. This book was a great favorite of mine seventy-odd years ago, and I read and reread it until I knew many of the tales "by heart." (I wonder if there are any third graders nowadays so stimulated by the stuff provided for them.) One of the "poems" included was a satire written by Matthew Browne (pen name of William Brighty Rands, 1823-1882), first published in 1864. This is worth being brought to light again for its own sake, and also because it might serve as a model for a humorous piece on the antics of the present-day protesting "youths." Here, then, is "Lilliput Levee," taken verbatim from the *Tales:*

Lilliput Levee

1. WHERE does Pinafore Palace stand?
   Right in the middle of Lilliput Land!
   There the queen eats bread and honey;
   There the king counts up his money.

2. Oh, what a wonderful change to see!
   Nothing is dull as it used to be,
   Since the children, by clever, bold strokes,
   Have turned the tables upon the old folks.

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3. Now the thing was easily done,
The children being two to one;
Brave as lions, quick as foxes,
With hoards of wealth in money-boxes.

4. They seized the keys, patrolled the street,
Drove the policeman off his beat,
Built barricades, and stationed sentries:
Give the word when you come to the entries!

5. They dressed themselves in riflemen's clothes;
They had pea-shooters and arrows and bows,
So as to put resistance down:
Order reigns in Lilliput Town.

6. They went to the druggist's, broke in the door,
And scattered the physic all over the floor;
They went to the schoolroom, and hid the books;
They munched the puffs at the pastry-cook's.

7. They sucked the jam, they lost the spoons,
They sent up dozens of fire-balloons,
They let off crackers, they burnt a guy,
They piled a bonfire ever so high.

8. They offered a prize for the laziest boy,
And one for the most magnificent toy;
They split or burnt the canes off-hand,
And made new laws in Lilliput Land.

9. *Never do to-day what you can*
Put off till to-morrow, one of them ran;
Late to bed, and late to rise,
Was another law which they devised.

10. They passed a law to have always plenty
Of beautiful things: we shall mention twenty,—
A magic lantern for all to see,
Rabbits to keep, and a Christmas-tree, —

11. A boat, a house that went on wheels,
An organ to grind, and tarts at meals,
Drums and wheelbarrows, Roman candles,
Whips with whistles in the handles, —

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12. A real live giant, a roc to fly,
A goat to tease, a copper to sky,
A garret of apples, a box of paints,
A saw, and a hammer, and no complaints.

13. Nail up the door, slide down the stairs,
Saw off the legs of the parlor chairs, –
That was the way in Lilliput Land,
The children having the upper hand.

14. They made the old folks come to school
All in pinafores, – that was the rule, –
Saying, *Eener-deener-diner-duss,*
Kattler-wheeler-whiler-wuss.

15. They made them learn all sorts of things
That nobody liked. They had catechisings;
They kept them in, they sent them down
In class, in school, in Lilliput Town.

16. Oh, but they gave them tit for tat!
Bread without butter, – stale at that, –
Stick-jaw pudding that tires your chin,
The marmalade on it ever so thin.

17. They governed the clock in Lilliput Land:
They altered the hour or the minute hand;
They made the day fast, or made it slow,
Just as they wished the time to go.

18. They never waited for king or for cat,
Or stopped to wipe their shoes on the mat;
Their joy was great; their joy was greater;
They rode in baby's perambulator!

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19. There was a levee in Lilliput Town
At Pinafore Palace. Smith and Brown,
Jones and Robinson, had to go, –
All the old folks, whether or no.

20. Every one rode in a cab to the door;
Every one came in a pinafore:
Lady and gentleman, rat-tat-tat,
Loud knock, proud knock, opera-hat.

21. The palace, bright with silver and gold,
Was full of guests as it could hold.
The ladies kissed her Majesty's hand:
Such was the custom in Lilliput Land.

22. His Majesty knighted eight or ten,
Perhaps a score, of the gentlemen;
Some of them short, and some of them tall;
Arise, Sir What's-a-name What-do-you-call!

23. Nuts and nutmeg (that's in the negus);
The bill of fare would perhaps fatigue us;
Forty fiddlers to play the fiddle:
Right foot, left foot, down the middle.

24. Conjurer's tricks with poker and tongs,
Riddles and forfeits, comical songs;
One fat fellow, too fat by far,
Tried "Twinkle, twinkle, little star!"

25. His voice was gruff, his pinafore tight;
His wife said, "Mind, dear, sing it right;"
But he forgot, and said "Fa-la," –
The Queen of Lilliput's own papa!

26. She frowned, and ordered him up to bed;
He said he was sorry; she shook her head:
His clean shirt-front with tears was stained,
But discipline must be maintained.

27. Now, since little folk wear the crown,
Order reigns in Lilliput Town;
And Jack is king and Jill is queen
In the very best government ever seen.

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ENVY

THE MORE orthodox way of attempting to refute a socialist, or any kind of collectivist, is to appeal to his latent sense of rationality. Since every individual is different, equality – as distinct from legal equity – cannot be legislated. The attempt to do so suppresses the innovative spirit in a society, and everyone is the poorer for it. If you can get a socialist to admit this, you have him where you want him. He will be compelled to support some adaptation of the competitive principle in order to square his thinking with a sense of reality.

Unfortunately, the world is full of people who are not in the least concerned with creating a socialist order for idealistic reasons, however misguided the reasons may be. These people aren't looking for a progressive society of any type. What they want to do is to pull front-runners down, to penalize excellence, to make everybody the same, for reasons that are grounded in emotion. They are the envious ones who cannot stand to see anybody move out of the ruck. They are impervious to the logic that must ultimately tell any sensible person that it is the division of labor that supports our huge modern populations, the envious and the unenvious alike. This is the mentality dissected by Helmut Schoeck (*Envy*, Harcourt Brace Jovanovitch, $7.50).

Curiously enough, the term "envy" is hardly mentioned by any of our big-name contemporary sociologists or political philosophers. There are plenty of economists who are prepared to refute socialism by recourse to the rational appeal. One even finds them behind the Iron Curtain – or one did before the Czechoslovak crisis resulted in the suppression of the Ota Siks who were trying to revalidate market principles in the sluggish Eastern societies. But there seems to have been a conspiracy of silence about the subject of envy.

In combing over the literature on social change, Professor Helmut Schoeck, who taught at Emory University in Atlanta before returning to Europe to take a chair of sociology at the University of Mainz, discovered that on-

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ly one modern writer, a Frenchman named Eugene Raiga, had ever devoted a single book to the role of envy in stirring social and political disturbances. Against this meager showing there have been hundreds of writers from R. H. Tawney to Michael Harrington who have rung the changes on the alleged sin of acquisitiveness. Indeed, it has been considered far more wicked to provoke envy than it has been to break the commandment that says, "Thou shalt not covet." Justice Oliver Wendell Holmes used to twit his friend, Harold Laski, about the "passion for equality," which seemed to him a dissembling way of "idealizing envy." Significantly, Laski, though he was the most rhetorically gifted of the British Labor Party's publicists, avoided answering Holmes's pointed remarks. If he had tried to do so he would have inevitably called attention to the ugliest side of the socialist movement.

Aside from Eugene Raiga and a few novels such as L. P. Hartley's *Facial Justice* one has to go back to the nineteenth century to find any extensive commentary on envy as perhaps the chief destructive element in society. The philosophers, Kant, Schopenhauer, Kierkegaard, Nietzsche, all had something to say on what they considered one of the more important, if reprehensible, human drives. Adam Smith spoke of the need for laws to keep property from being invaded and destroyed by the envious. Herman Melville, in *Billy Budd,* dramatized the envious man as the embodiment of evil, and Eugene Sue's *Frederick Bastien: Envy* dealt with the subject almost clinically in fiction that foreshadowed modern psychoanalysis. And the ancients and the relatively ancient, from Aristotle to Chaucer and Francis Bacon, were not afraid to speak against the envious man.

Professor Schoeck thinks that modern social and political theorists have repressed the concept of envy out of sheer embarrassment. The whole surge of our modern society has been toward "socializing" the economy, and if one were to admit that the movement has been in response to resentful and evil men, it would create a most unpleasant and painful state of affairs. The iniquitous secret of socialism is that it leads, in its more extreme manifestations, to a world without sociability or sociableness. With Leftist theoreticians taking over so many of the media and so many of our university chairs, it is hardly likely that we will get much dispassionate treatment of the subject of envy. What we do get is a literature of circumlocutions. The writers speak

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of "conflict," which is a matter of overt behavior. Envy is a silent, secretive process that can be hidden behind protestations of idealistic concern for equality. Since it is silent (nobody likes to admit it), our writers don't have to pull it out of the closet. But Professor Schoeck surmises that the failure to identify envy for what it is has had much to do with the masochism of our younger generation, many of whom feel guilty because their parents have money, or because the nations of the West are more prosperous than those of the "third world." The positive and energizing values of capitalist society are lost sight of simply because we no longer tolerate any discussion of envy and covetousness as being among the more sterile human attributes.

Professor Schoeck is willing to concede the high-mindedness of some socialist theorists. But he has recourse to anthropology to prove that envy remains a constant in society, no matter what the principle of organization. In primitive collectivisms the envious man concentrates on little things. The Siriono Indians of Bolivia denounce the hoarding of food. But although they conform outwardly to collectivist norms, the individual Siriono hunter will hide his catch outside the camp. After nightfall he will return, possibly with his wife, to the hiding place for a lonely feast. It is part of the myth of a "golden age" to suppose that prehistoric communities were joyful utopias where everyone shared and nobody envied anybody else.

The possibility of creating a collectivist society without envy founders on the necessity of giving somebody the power to maintain order. Naturally, power of any kind provokes envy among those who do not have it. It is no accident that the Russians haven't been able to create an equal society; if they had, it would have resulted in a situation in which nobody would do the less congenial work. To get production out of the poor slobs in the "classless" society, the Soviet managers have had to establish a 40:1 differential between maximum and minimum incomes. In Western countries, where the urge to utopianism hasn't yet killed the market economy, the ratio is more like 10:1.

Even the Israeli kibbutz has proved disappointing to those who hoped that communal life could be a life without envies and resentments. To exist at all, the kibbutzim have had to make use of the products, the technology, and the achievements of individualistic societies. They have succeeded to some extent, but at the cost of producing a younger generation that is obsessed with the fear of

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showing signs of individual superiority. The individual who exercises a poetic gift feels guilty, and it is judged an offense to do intellectual work when physical labor is demanded.

Professor Schoeck, recognizing human nature for what it is, doesn't expect to do away with envy anywhere. But the time has come, he says, for a "hardening towards exaggerated sensitivity to envy." It makes no sense for us to behave "as though the envious man was the main criterion for economic and social policy." We should treat the envious man for what he is, a person who wants to pull others down without bothering to expand his own capacity for excellence.

▸ YOUTH, UNIVERSITY, AND DEMOCRACY, by Gottfried Dietze (Baltimore: Johns Hopkins Press, 1970), 117 pp., $6.50.

Reviewed by George C. Roche III

IT HAS BECOME commonplace to criticize the modern university, its faculty, and students. The significance of Professor Dietze's latest work is that he goes far beyond such criticism.

Not that he approves of the present academic community:

> Laziness, vanity, and arrogance, the seeking of and corruption through power, the elimination of excellence, the negation of the search for the truth, devious pursuits of material things, intellectual sacrifices, and the absence of freedom—all can be found in modern universities.

Sympathetic to youth and its problems, Dietze feels that the young people living in what he calls "the liberal-democratic era" have sufficient uncertainty and insecurity to face without the further uncertainty and insecurity likely to result from contacts with the modern university. From that point on, however, he parts company with protesting students, emphasizing that today's protesters tend to favor those courses of action most detrimental to genuine education.

In Professor Dietze's analysis, both university failures and student failures are traceable to a single cause—the politicalization of the university, a direct result of mass democracy and the acceptance of the welfare state:

> The present breakdown of law and order, usually reflected in crimes against property rights, is in a large measure the natural consequence of so-called social legislation. Individual citizens cannot be expected to respect property rights if the government has consistently disregarded these rights and destroyed public trust and all sense of obligation.
>
> Today's students have grown up in this atmosphere. Rioters are the children the welfare state has released.

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When rioting students protest against the "Establishment," they apparently do not realize that they themselves are a product of that Establishment:

> . . . the student diagnosis of present societies is a quack diagnosis, for establishments are not sick because they are insufficiently democratic, socialist, egalitarian, etc., but for the very opposite reason – namely, because they have gone too far to the left. Student aims, therefore, are likely to increase the illness of society rather than to heal it, just as a doctor who makes a wrong diagnosis and applies the wrong therapy is likely to worsen his patient's condition. Rioting students are outcasts of the establishment only on the surface. On closer inspection, they are its products. Student rioters are outcasts of the establishment only insofar as the establishment has remained healthy. Insofar as it has become sick, they are representative of it. They are the poison produced by the infections of the body politic, out to destroy that body.

The author reminds us that this has all happened before, describing the vulnerability of Weimar democracy:

> Political factions fought it out in the Reichstag, in the streets, and in universities, which increasingly had become places for political debate and controversy. In the end, Hitler arose and . . . streamlined the universities into his system.

Professor Dietze's erudition in philosophy, history, law, and letters comes to bear on the subject of the university's proper place in society. The ideal for the student, the scholar, and the university itself comes alive as the reader begins to understand the meaning of a "community of scholars."

Youth, University, and Democracy is filled with insights for student, teacher, and administrator. The book also makes clear to the rest of us that, for all the shortcomings of today's universities, we must be careful to distinguish between today's politicalized campus and the historic role of the university. Seen in that historic role, the university should be and can be a bulwark against the mob mentality:

> . . . universities, developing along with constitutionalism, have protected the freedom of the individual against authoritarian popes, kings, and popular demagogues, and [can] continue their libertarian mission in modern democracies. That mission implies maximal benefits for the community – including youth. For only free universities can serve truth, and only advancement toward the truth can satisfy the perennial quest of a traditionally confused, sad, and brave youth for clarity and bring about the kind of public good youthful idealism has always longed for.

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